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United Nations Development
Programme, the United Nations
Population Fund and the
United Nations Office for
Project Services**

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Internal audit and oversight

UNDP: Report on internal audit and investigations

Summary

The present report provides information on the activities of the Office of Audit and Investigations for the year ended 31 December 2017. As requested by the Executive Board in its decision 2016/13, the report includes: an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNDP framework of governance, risk management and control; a concise summary of work; and the criteria that support the opinion.

The report addresses requests made by the Board in previous decisions, such as adherence to a statement of conformance with the internal audit standards; a view as to whether the resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage; timely information on challenges in discharging oversight responsibilities; a review of recruitment procedures; and presentation of the organizational risk assessment (all listed in decision 2015/13).

The report includes: the financial losses identified by investigations, and the manner and amount of recovery (decision 2014/21); the titles of all internal audit reports issued during the year, and ratings received (decision 2013/24); and cases of fraud and actions taken in cases of misconduct (decision 2011/22).

The management response to this report is presented separately (decision 2006/13), and the annual report of the Audit and Evaluation Advisory Committee is appended to this report (DP/2008/16/Rev.1).

Elements of a decision

The Executive Board may wish to: (a) take note of the present report; (b) express continuing support for strengthening the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit and Evaluation Advisory Committee.

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Annual report of the Audit and Evaluation Advisory Committee for 2017

Introduction

1. The UNDP Office of Audit and Investigations submits to the Executive Board its annual report on internal audit and investigation activities for the year ended 31 December 2017. The report also contains information in response to decisions of the Executive Board, as noted herein.

I. Assurance in UNDP

Mandate of the Office of Audit and Investigations

2. The Office of Audit and Investigations aims to provide UNDP with an effective system of independent and objective internal oversight to improve the effectiveness and efficiency of UNDP operations in achieving its developmental goals and objectives. The purpose, authority and responsibility of the Office are defined in the charter approved by the Administrator. As required by the international standards of the Institute of Internal Auditors, the charter was updated and approved by the Administrator in October 2017, reflecting all activities and areas of responsibility of the Office of Audit and Investigations.

3. The *international professional practices framework* of the Institute of Internal Auditors requires that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities, and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity.

4. The Office confirms its organizational independence. In 2017, it was free from interference in determining its audit and investigation scope, performing its work and communicating its results.

5. Starting in December 2017, the Office of Audit and Investigations introduced a statement of independence, objectivity, and impartiality that will be signed annually by audit staff as a means of certifying the adherence of staff to the code of ethics and core principles of the Institute of Internal Auditors, as well as to the UNDP code of ethics.

6. The Office has an effective quality assurance and improvement programme that covers both internal audit and investigation functions. Post-audit client surveys undertaken in 2017 showed that clients were satisfied with the conduct of audits. External quality assurance reviews are conducted every five years. The third external review for internal audit was finalized in 2017, and assigned a 'generally conforms' rating to internal audit activities of the Office – the highest rating that can be achieved. The Office took note of suggested improvements and implemented relevant recommendations.

7. The Office continued to receive strong support from UNDP senior management. The Director participated in meetings of the expanded Organizational Performance Group (with other oversight office heads), which enabled discussions on long-outstanding recommendations and other audit-related matters of significance with potential risk to UNDP. It continued to hold regular meetings with the Bureau for Management Services and regional bureaus to discuss key and recurring audit and investigation issues.

8. The Audit and Evaluation Advisory Committee, an external independent oversight body of UNDP, continued to provide advice to the Administrator on maximizing the effectiveness of UNDP internal audit and investigation functions. In 2017, the Committee reviewed the 2017 annual work plan of the Office and its implementation through quarterly progress reports. The Committee reviewed audit and investigation activities in the 2016 annual report presented to the Executive Board in 2017. In accordance with its terms of reference, the Committee held private sessions with the Director of the Office during each of its periodic meetings in 2017.

Coordination with external auditors

9. UNDP external auditors (the United Nations Board of Auditors) continued to rely on audits of the Office of Audit and Investigations and its quality assurance review processes for third-party audits¹ of projects implemented by non-governmental organizations or national governments.

Basis for providing independent assurance to the Administrator

10. To provide assurance on governance, risk management and control, the annual work plan of the Office for 2017 covered the appropriate combination of business units, functions and activities at the headquarters, regional and country levels; directly implemented projects; and grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). Following its review by the Audit and Evaluation Advisory Committee, the 2017 annual work plan was approved by the Administrator.

Organizational risk assessment for annual work planning (decision 2015/13)

11. The Office of Audit and Investigations formulated the 2017 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP as a whole. The Office undertook the planning process in a participative manner, holding a series of discussions with senior management and heads of concerned bureaus that were informed by the results from risk assessment models. It consulted the United Nations Board of Auditors to ensure proper audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Executive Board.

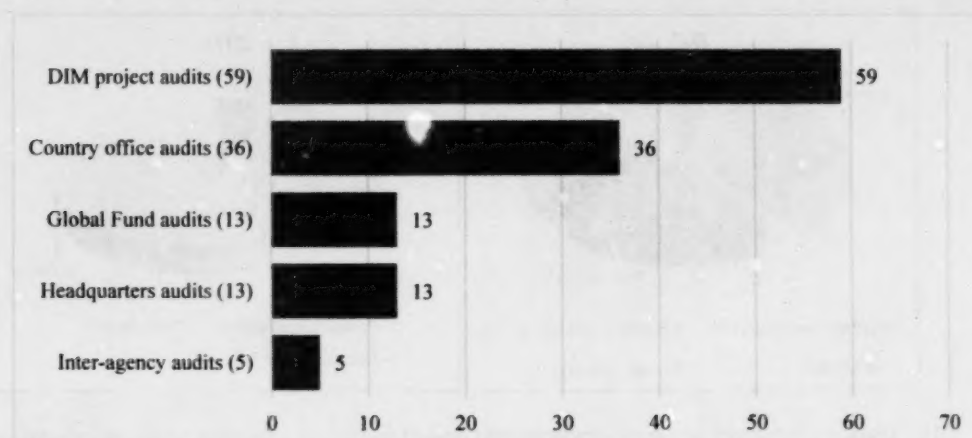
12. The risk assessment methodology covered the risk assessment process, from risk identification to risk measurement and risk ranking. Both quantitative and qualitative risk indicators were used – classified as strategic, contextual, political, operational or financial – in line with the UNDP enterprise risk management categories of risks. The final risk ranking, which determines the frequency of audits, may be adjusted after consultation with management. Generally, entities ranked ‘very high risk’ are audited every two years, those ranked ‘high risk’ every three years, ‘medium risk’ every four to five years, and ‘low risk’ every five to six years.

Audit reports issued

13. In 2017, the Office issued 126 audit reports: 13 headquarters audits; 36 country office audits; 13 Global Fund audits (including three consolidated reports); 59 audits of directly implemented projects (eight of which pertain to UNCDF); and five inter-agency audits (see figure 1). In accordance with decision 2013/24, annex 2 presents the titles and ratings of all the internal audit reports issued in 2017.

14. Considering that most of the audit reports issued in 2017 covered activities of UNDP offices during 2016, the audit results generally reflected the status of programmes and operations in 2016. The 108 country-level audits (country office audits, directly implemented project audits, and Global Fund audits) covered about \$3.1 billion (63 per cent) of approximately \$4.9 billion of UNDP field-level expenditures. An additional \$1.4 billion in expenditures was covered by third-party audits of non-governmental organization and nationally implemented projects.

¹ “Third-party audits” refers to audits that are conducted neither by nor on behalf of the Office of Audit and Investigations. The audits of projects implemented by non-governmental organizations and national governments are conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices.

Figure 1. Number and type of audit reports issued in 2017

DIM = Directly implemented

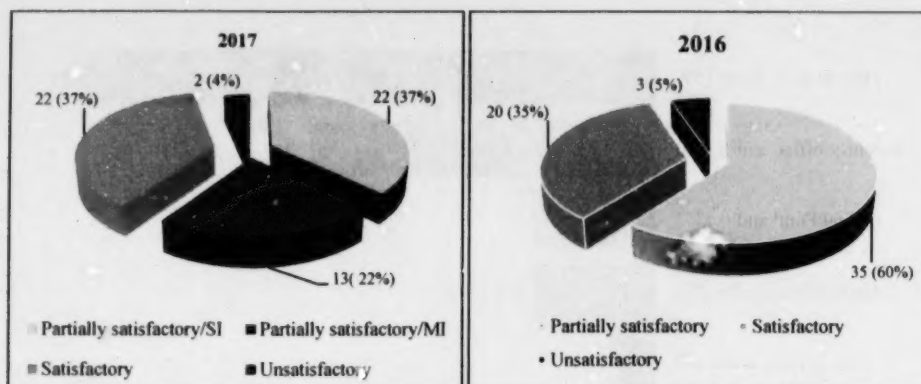
Audit ratings

15. Based on audit results, the Office assigns an audit rating for the majority of its reports that reflects the adequacy and effectiveness of the governance, risk management and control processes at the audited-entity level. Exceptions include follow-up audits, solely financial audits of directly implemented projects, and consolidated reports of several audits.

16. In 2017, the Office introduced an expanded four-scale rating that replaced the previous three-scale rating. This was the result of a recommendation made in the 2016 United Nations Representatives of Internal Audit Services meeting, aiming at harmonizing the entity-level ratings among United Nations organizations. The main difference is that the 'partially satisfactory' rating is now split into two categories, namely: 'partially satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed'. The new distribution of ratings was received positively by UNDP senior management.

17. Of the 126 reports, 67 did not contain an overall rating. Of the remaining 59 reports, 22 (37 per cent) had a 'satisfactory' rating; 22 (37 per cent) had a 'partially satisfactory/some improvement needed' rating; 13 (22 per cent) had a 'partially satisfactory/major improvement needed' rating and two (3 per cent) an 'unsatisfactory' rating (see figure 2). The comparison of the distribution of audit ratings in 2017 with that of 2016 shows a slight increase in 'satisfactory' ratings, a slight decrease in 'unsatisfactory' ratings (by 1 per cent), and a combined figure of 59 per cent in the 'partially satisfactory' category, which is similar with the one reported in 2016, the only difference being that ratings are now presented separately in the 'partially satisfactory/some improvement needed' and 'partially satisfactory/major improvement needed' sub-categories. The reports with 'unsatisfactory' ratings pertained to one inter-agency audit and one Global Fund audit.

Figure 2. Comparison of audit ratings (2017 versus 2016)



18. There are two types of directly implemented project audits: (a) a financial audit, encompassing statements of project expenditure, fixed assets and cash; and (b) a combined financial audit and audit of internal control systems. Those that are solely financial, and are performed by audit firms, result in an audit opinion on expenditure, assets and, where applicable, cash-at-hand. These financial audits do not entail the use of the audit rating defined by the Office. Of the 59 such audits (57 financial audits and two combined financial and internal control system audits) undertaken in 2017, 51 pertained to directly implemented UNDP projects and eight to directly implemented UNCDF-related projects. Out of the 59 audits of expenditure, the audit firms issued 52 unqualified, six qualified, and one adverse opinion on the statements of project expenditures. The net financial misstatement reported for the projects with qualified and adverse opinions was \$13.9 million (2.8 per cent of the total audited expenditure of \$503.8 million). The 40 audits of statements on fixed assets resulted in 35 unqualified opinions, four qualified opinions and one disclaimer of opinion. The net financial misstatement of the qualified and disclaimer opinions was \$6.3 million (55 per cent of the total audited asset value of \$11.4 million).

II. Disclosure of internal audit reports

19. In 2017, UNDP publicly disclosed 126 internal audit reports, one of which was withheld and three of which were partially redacted because they contained sensitive information (<http://audit-public-disclosure.undp.org>). There were 6,951 visits to the disclosure webpage, markedly higher than the 4,710 visits in 2016.

20. In accordance with decision 2011/23, the Office hereby informs the Executive Board that no request was received in 2017 for access to non-disclosed audit reports prior to 1 December 2012, when the disclosure policy for internal audit reports was implemented pursuant to decision 2012/8.

III. Staffing and budget

21. As of 31 December 2017, the Office had a total of 82 approved posts. That figure excludes four posts funded by UN-Women and one Junior Professional Officer post.

Recruitment process

22. Of those 82 posts, 78 were encumbered and four were vacant by the end of 2017. Recruitment for the four vacant posts had been completed by 31 December 2017; they were expected to be filled during the first quarter of 2018. In 2017, on a quarterly basis, the Office monitored its vacancy rate and the average number of months that staff positions had remained vacant. It attained an overall

vacancy rate of 5 per cent against a self-defined level of 7 per cent, and achieved an average rate of 4.6 months for a post to be encumbered, against an accepted period of six months.

Budget

23. In 2017, the Office had an overall approved budget of \$17.2 million funded from core and other resources (see figure 3). In addition, the Office received \$1.1 million for the audit and investigation of UNDP activities funded by Global Fund grants. This Global Fund allocation covers the funding of staff and operating costs for three Audit Specialist positions based in Dakar, Istanbul and Pretoria, and one Investigation Adviser position based in New York.

24. In addition, a total of approximately \$1 million in direct audit costs was charged to the respective budgets of each directly implemented project audited in 2017.

Figure 3. Resources in 2017, excluding Global Fund

	\$ millions
Audit	9.4
Investigations	6.1
Management and support	1.6
Audit and Evaluation Advisory Committee	0.1
Total	17.2

IV. Significant internal audit results

A. Headquarters audits

25. The Office performed 13 headquarters audits in 2017.

26. The audit of the Regional Bureau for Asia and the Pacific raised recommendations aimed at improving the oversight of the regional programme and projects, the clustering of country office operations, and the tracking of operational support provided to country offices.

27. The audit of UNDP resource mobilization management identified the need for greater organization-wide coordination; a clearer governance structure; and the development of funding-window-specific resource mobilization strategies. It concluded that while the assessed governance arrangements, risk management practices and controls were generally established and functioning, further improvement was needed.

28. The audit of the UNDP e-tendering system recommended actions to move forward with the roll-out of the e-tendering business process and correct weaknesses in its design and implementation. Two information and communication technology audits (OneICTbox and UNDP identity management) resulted in ratings of 'satisfactory' and 'partially satisfactory/some improvement needed', respectively. The identity management audit recommended improvements in the creation of user identifiers, and implementation of a trusted source for identity verification.

29. Two follow-up audits addressed the United Nations Office for South-South Cooperation and vendor management audits. In each case, significant progress was noted in the implementation of the recommendations raised in the initial audits by the Office.

30. The 13 headquarters audit reports resulted in 48 recommendations, 11 of which (23 per cent) were ranked 'high priority'.

B. Country office audits

31. The 36 country office audit reports issued in 2017 included 35 audits of general scope and one follow-up to a prior-year audit that had resulted in an 'unsatisfactory' rating. Figure 4 contains significant issues (recurrent in at least five offices) grouped by audit area or sub-area.

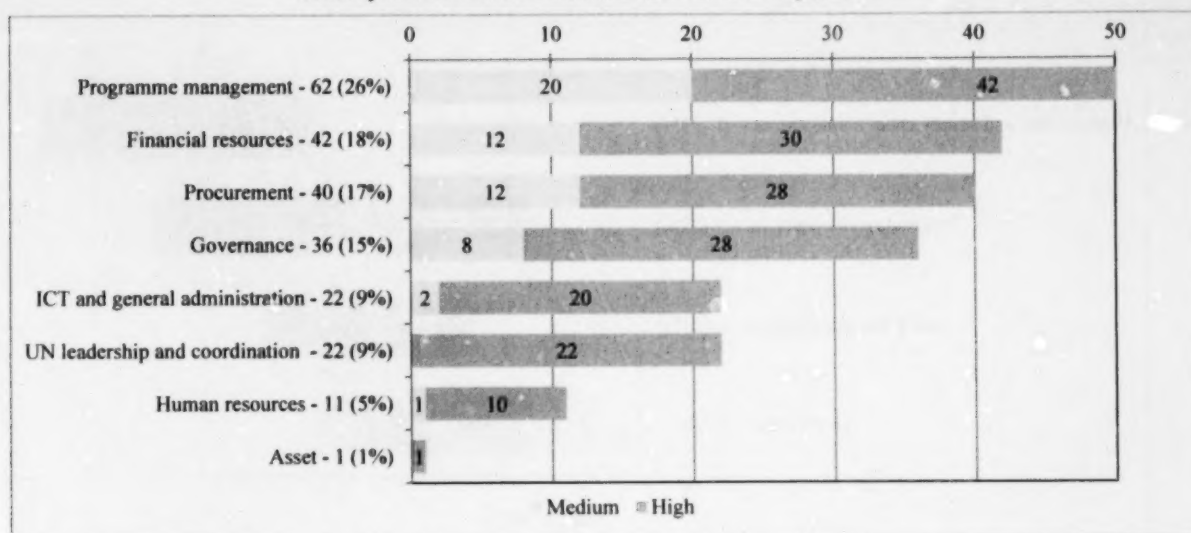
Figure 4. Recurrent country office audit issues

Audit area or sub-area	Recurrent audit issues
<i>Programme and project management</i>	Insufficient programme/project monitoring, such as not maintaining up-to-date risk logs, not regularly conducting field monitoring, delayed project closures, and not establishing an overall monitoring framework (21 offices)* Delays in closing completed projects in the Atlas system (6 offices)*
<i>Procurement</i>	Inadequate controls in procurement processes, such as weak procurement planning, inadequate management of receipt of offers, and not raising e-requisitions in Atlas (22 offices)* Weak management of individual contracts, including inadequately justified use of direct contracting in accordance with the UNDP policy that identifies specific instances for its use, and inadequate monitoring of deliverables and payments (9 offices) Weak management of vendors, such as inadequate verification of vendor information in Atlas or inaccurate vendor profiles (6 offices)
<i>United Nations leadership and coordination</i>	Harmonized approach to cash transfers not fully implemented (16 offices)*
<i>Financial management</i>	Inadequate controls in handling payments and recording transactions in Atlas, including payment cancellations (11 offices) Weak management of cash such as the lack of monitoring of cash advances and the lack of appointment of cash custodians (8 offices)* Inadequate implementation of direct project costing (7 offices)
<i>Governance</i>	Outstanding government contributions to local office costs (6 offices) Weak risk management, such as not systematically assessing, documenting, and mitigating risks (6 offices) Weak organizational structure, such as unclear roles and responsibilities and reporting lines (5 offices)
<i>ICT and general administrative management</i>	Weak asset management, such as not maintaining a complete and up-to-date inventory (5 offices) Weak travel management, such as not ensuring itineraries with most direct and economical routes, and not submitting travel claims in a timely manner (6 offices)*

* Issues also recurrent in 2016.

32. The above audits resulted in 236 recommendations, 55 (23 per cent) of which were rated 'high priority' (see figure 5, below). Figure 5 is a thematic breakdown of the recommendations.

Figure 5. Distribution and prioritization of country office audit recommendations in 2017 reports



ICT = Information and communication technology; UN = United Nations

C. Global Fund audits

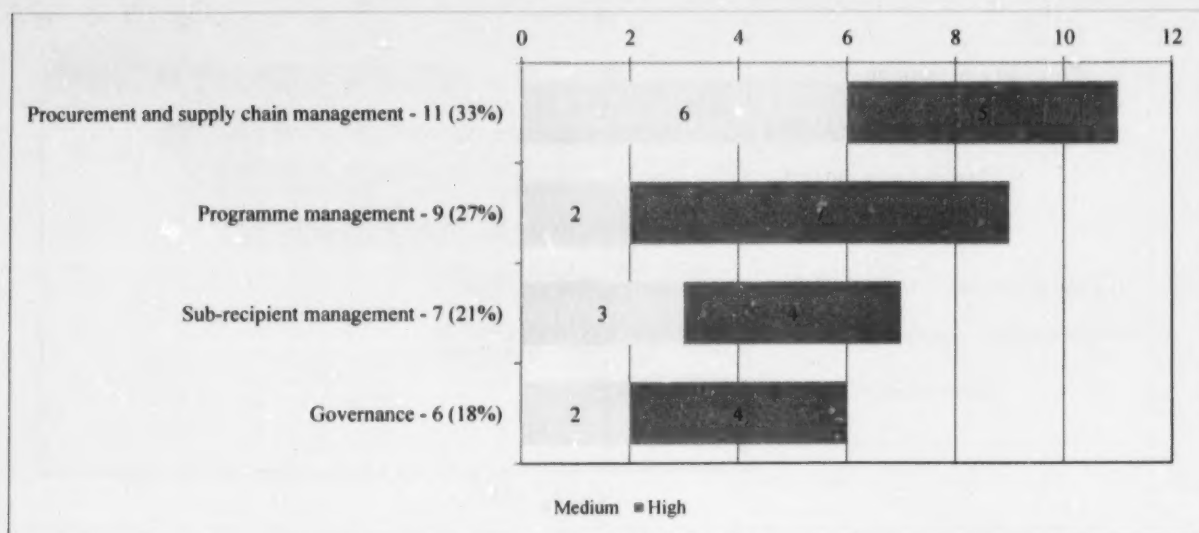
33. The Office issued 13 Global Fund audit reports in 2017. They covered the management of Global Fund grants in 10 country offices (three in Africa, four in the Arab States, one in Latin America and the Caribbean, and two in the Asia and the Pacific region). Figure 6 enumerates significant issues (recurrent in at least four offices) grouped by audit area or sub-area.

Figure 6. Recurrent Global Fund audit issues

Audit area/sub-area	Recurrent audit issues
<i>Project management, monitoring and evaluation</i>	Weaknesses in project management, such as not conducting monitoring and evaluation activities (5 offices)
<i>Sub-recipient management</i>	Weaknesses in sub-recipient management, such as delays in liquidating advances and delays in submitting quarterly reports (5 offices)
<i>Procurement and supply-chain management</i>	Lack of controls in storing pharmaceutical products, conducting quality control testing, and monitoring stock levels (4 offices)

34. The 13 audit reports related to grants managed by UNDP as principal recipient contained 33 recommendations (see figure 7), the majority (60 per cent) of which were in the areas of: (a) procurement and supply chain management; and (b) programme management. The significant issues are grouped, according to audit area, in figure 7.

**Figure 7. Distribution and prioritization of
Global Fund audit recommendations in 2017 reports**

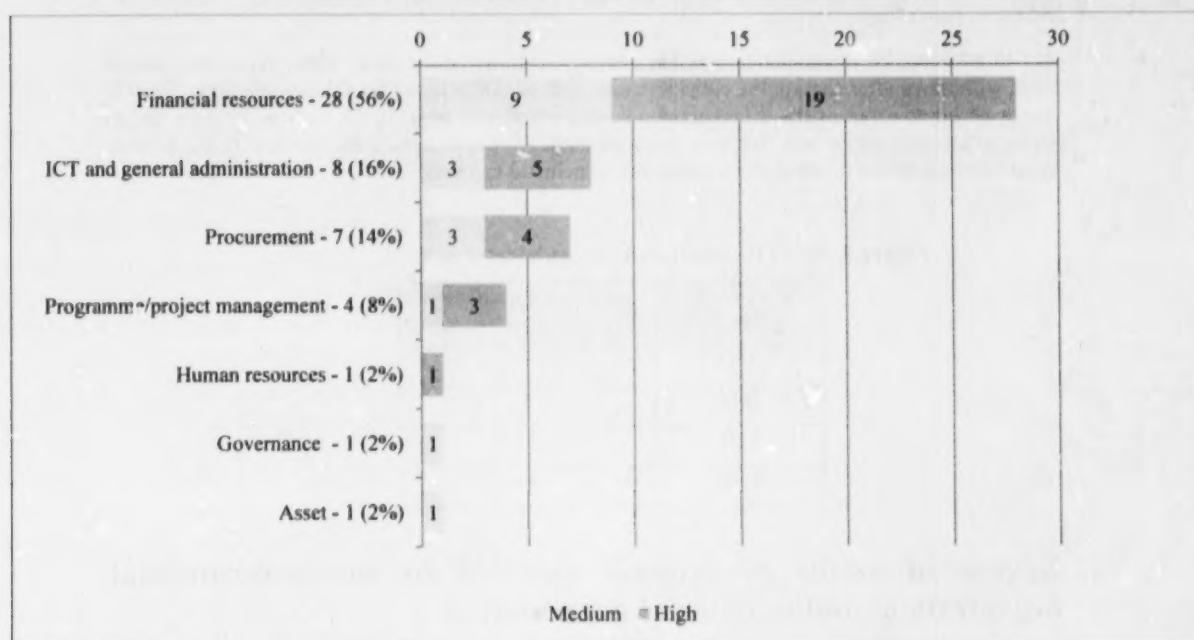


D. Project audits

35. Projects directly implemented by UNDP can be reviewed as part of the audit of an office or can be audited separately, especially if the project expenditure is significant or presents high risks. In 2017, 59 directly implemented projects were audited separately, with a total audited expenditure amounting to \$503.8 million. Out of these, 51 were directly implemented by UNDP and amounted to \$476.7 million. The remaining eight projects, directly implemented by UNCDF, amounted to \$27.1 million.

36. Audits of directly implemented projects resulted in 50 recommendations (see figure 8), with a significant number of recommendations (56 per cent) in the area of financial resources management, such as inaccurate recording and a lack of supporting documents to justify accounting entries. Other areas with a notable number of recommendations were project management, procurement, and asset management.

Figure 8. Distribution and prioritization of audit recommendations concerning directly implemented projects in 2017 reports



ICT = information and communication technology

E. Inter-agency audits

37. In 2017, the Office of Audit and Investigations issued five inter-agency reports resulting from joint and coordinated audit work among the internal audit services of several United Nations organizations.

38. The audit of the governance arrangements of the Sustainable Development Goals Fund identified weaknesses in internal controls and frequency of steering committee meetings, and incomplete monitoring, evaluation, and budgeting in secretariat work planning.

39. Since 2010, based on audit frameworks agreed with members of the United Nations Representatives of Internal Audit Services, the Office has issued 25 inter-agency audit reports covering selected multi-partner trust funds, 'delivering as one', and the harmonized approach to cash transfers. The experience continued to show that inter-agency audits require significantly more time to plan, conduct and report than others, owing to the need for consultations and inputs from the internal audit services and management of participating organizations.

V. Follow-up to audit recommendations

40. The overall implementation rate of audit recommendations was 92 per cent as of 31 December 2017, above the rate achieved in 2016 (87 per cent). The rate covered all reports issued by the Office from 1 January 2015 to 30 November 2017. There were six recommendations that had not been fully implemented for 18 months or more as at 31 December 2017 (see annex 3). This represents a major improvement from 2016, when 17 recommendations were outstanding for 18 months or more. Of the six recommendations, two (33 per cent) were ranked 'high priority', one of which pertained to an audit of the Legal Office, and the other to an audit of vendor management.

41. The implementation rate as of 31 December 2017 for recommendations raised in audit reports issued in 2017 was 55 per cent (at the same level as the 54 per cent reported as of 31 December 2016), indicating that immediate action was taken by management on the majority of audit issues raised by the Office.

42. In addition, 20 recommendations have been withdrawn since 2014. These recommendations were withdrawn after sharing the considerations with the Director of the Office (see figure 9). It is worth noting that out of the 20 recommendations withdrawn in total, 15 were withdrawn due to changed circumstances, and five as a result of management accepting the residual risks. A more detailed presentation of the recommendations is included in annex 3a.

Figure 9. No. of recommendations withdrawn in 2017

Year report issued	No. of recommendations
2014	1
2015	5
2016	14
Total	20

VI. Review of audits of projects executed by non-governmental organizations and/or national governments

43. The Office reviews annual audits of nationally implemented UNDP projects executed by non-governmental organizations or national governments. The audits for fiscal year 2016 were conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices. As of 31 December 2017, the Office had received 765 audit reports, with only one audit report still outstanding (from the UNDP office in Burundi).

Review results

44. Of the 765 reports received, the Office reviewed 352 in depth, representing \$1.18 billion in expenses (84 per cent of the audited expenses). In the majority of cases, the auditors of non-governmental organization/nationally implemented projects found that financial expenses were presented fairly, and issued 'unmodified' opinions in respect of \$1.36 billion (97 per cent) of the total \$1.41 billion of audited expenses.

45. Review letters drawing the attention to areas requiring improvement were issued to all 100 country offices that had submitted project audit reports. Seventy-five country offices (75 per cent) received an overall 'satisfactory' rating from the Office for fiscal year 2016 compared to 72 per cent for fiscal year 2015. Twenty-two country offices (22 per cent) received 'partially satisfactory' ratings, compared to 21 per cent in 2015; and three country offices (3 per cent) received 'unsatisfactory' ratings in 2016, a decrease from the 7 per cent reported for 2015 (see figure 10, below). The overall rating encompassed four elements: (a) strength of existing internal controls; (b) timely follow up of audit recommendations; (c) compliance with audit scope requirements; and (d) timely administration of audit exercise. The 'unsatisfactory' ratings were due mainly to the materiality of the net financial misstatement, the severity of issues and observations raised in the reports, and inadequate follow-up to audit observations.

Figure 10. Results of assessment of the quality of audit reports of non-governmental organizations/nationally implemented projects

Rating	Overall rating			
	Fiscal year 2016 (Audits conducted in 2017)		Fiscal year 2015 (Audits conducted in 2016)	
	Number of countries	%	Number of countries	%
Satisfactory	75	75	81	72
Partially satisfactory	22	22	23	21
Unsatisfactory	3	3	8	7
Total number of country offices	100	100	112	100

Key audit issues in non-governmental organization/nationally implemented projects, and actions taken

46. The audit reports of non-governmental organization/nationally implemented projects that were reviewed in detail contained 1,411 issues, the majority of which (61 per cent) were ranked 'medium priority'. Forty-nine per cent of the issues pertained to financial management. The majority of the remaining issues pertained to procurement of goods and/or services, human resources selection and administration, and management and use of equipment/inventory.

47. The Office monitored the actions taken by country offices to implement the audit recommendations and noted that, as of 31 December 2017, 62 per cent of the 1,411 audit issues had been implemented or were no longer applicable.

Audit opinions and net financial misstatement

48. For the reports with modified opinions, the Office calculated the total net financial misstatement for fiscal year 2016 to be a net overstatement of \$6.15 million, or 0.4 per cent over the total audited expenditure (\$1.41 billion). The net financial misstatement resulted from modified opinions on 56 projects in 28 country offices. The qualifications were due mainly to unsupported or ineligible expenses (30 projects), or unrecorded expenses and incorrect recording of advances or expenses (12 projects).

Country offices where the harmonized approach to cash transfers (HACT) is fully implemented

49. For financial year 2016, 13 country offices (Bhutan, Cabo Verde, the Democratic Republic of the Congo, India, Indonesia, Malawi, Malaysia, Morocco, Rwanda, Samoa, Thailand, the United Republic of Tanzania, and Viet Nam) had fully transitioned to HACT and applied the corresponding assurance activities outlined in the HACT framework of February 2014 in lieu of the audits of non-governmental organization/nationally implemented projects. The HACT framework is a common operational (harmonized) framework for transferring cash to government and non-governmental implementing partners, irrespective of whether those partners work with one or multiple United Nations organizations. It is intended to serve as a simplified set of procedures on requesting, disbursing, providing assurance, and reporting on funds as a way of effectively managing risks, reducing transaction costs and promoting sustainable development in a coordinated manner.

50. As of 31 December 2017, the Office had received 109 of the 120 HACT audit reports planned, and had completed the review of 53 audit reports, which was an improvement compared to 31 December 2016, when the Office had received 30 of 49 reports planned and had completed the review of 21 audit reports. The auditors were predominantly audit firms hired by the country offices. The auditors provided 'unmodified' opinions for 42 of the 53 financial audit reports reviewed and 'modified' opinions for four other financial reports with a net financial misstatement of \$156,043,

representing 7 per cent of the related audited expenses. For the seven cases where only an audit of internal controls was carried out, the auditors did not raise any major concerns.

VII. Investigations

51. During 2017, the Office opened 255 new cases and carried over 176 cases from 2016, bringing the 2017 caseload to 431.

52. The Office closed 205 of those 431 cases in 2017. At the end of 2017, 226 cases were carried over to 2018 (see figure 11).

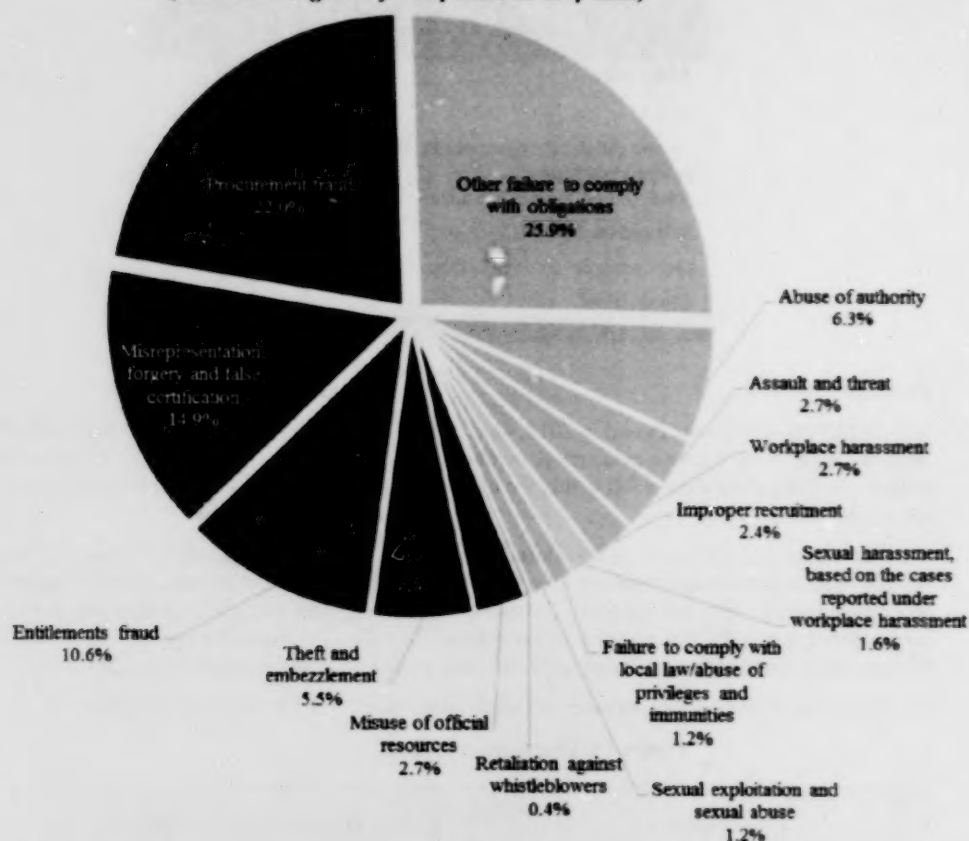
Figure 11. Office of Audit and Investigations caseload, 2016 and 2017

Caseload	2016	2017
Carry-over as of 1 January	204	176
Intake during the year	205	255
Total cases during the year	409	431
Closed (from cases carried over)	128	122
Closed (from intake)	105	83
Total closed	233	205
Carried forward as of 31 December	176	226

Types of complaints

53. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery and false certification; and entitlements fraud) constituted 55.7 per cent of the cases received by the Office in 2017, a slight increase compared to the 54.6 per cent recorded in 2016 (see figure 12).

**Figure 12. Types of complaints received in 2017
(financial irregularity complaints in deep blue)**



54. Four complaints of sexual harassment were reported in 2017. In addition, one of three cases originally reported as sexual exploitation and abuse was subsequently determined to be an allegation of sexual harassment.

55. In 2017 the Office received the most complaints from the Arab States region (73 cases), followed by Africa (64 cases), Europe and the Commonwealth of Independent States (40 cases), Asia and the Pacific (30 cases) and Latin America and the Caribbean (8 cases). The Office also received seven complaints involving headquarters, 32 involving staff members or other personnel on UNDP contracts assigned to other United Nations organizations, and one involving a staff member from another United Nations organization (see figure 13).

Figure 13. Complaints received in 2017, by region

	Number of complaints received
Arab States	73
Africa	64
Europe and the Commonwealth of Independent States	40
Other United Nations organizations	33
Asia and the Pacific	30
Latin America and the Caribbean	8
Headquarters	7
Total	255

Processing of cases

56. Of 205 cases that were closed in 2017, 48 (23 per cent of the cases finalized) were closed after an initial assessment because evidence of wrongdoing was insufficient to justify an investigation; because the allegations did not fall within the mandate of the Office; or because an investigation was not warranted.

57. The remaining 157 cases were closed as a result of an investigation in which 65 cases (41 per cent) resulted in an investigation report, 63 of which established evidence of misconduct or other wrongdoing. Two investigation reports were produced, even though the allegations were not substantiated due to the procedural requirements of the office receiving the report. The remaining 92 cases were found to be unsubstantiated and were closed after investigation (see figure 14).

58. At the end of 2017, 27 cases were still under assessment and 199 under investigation.

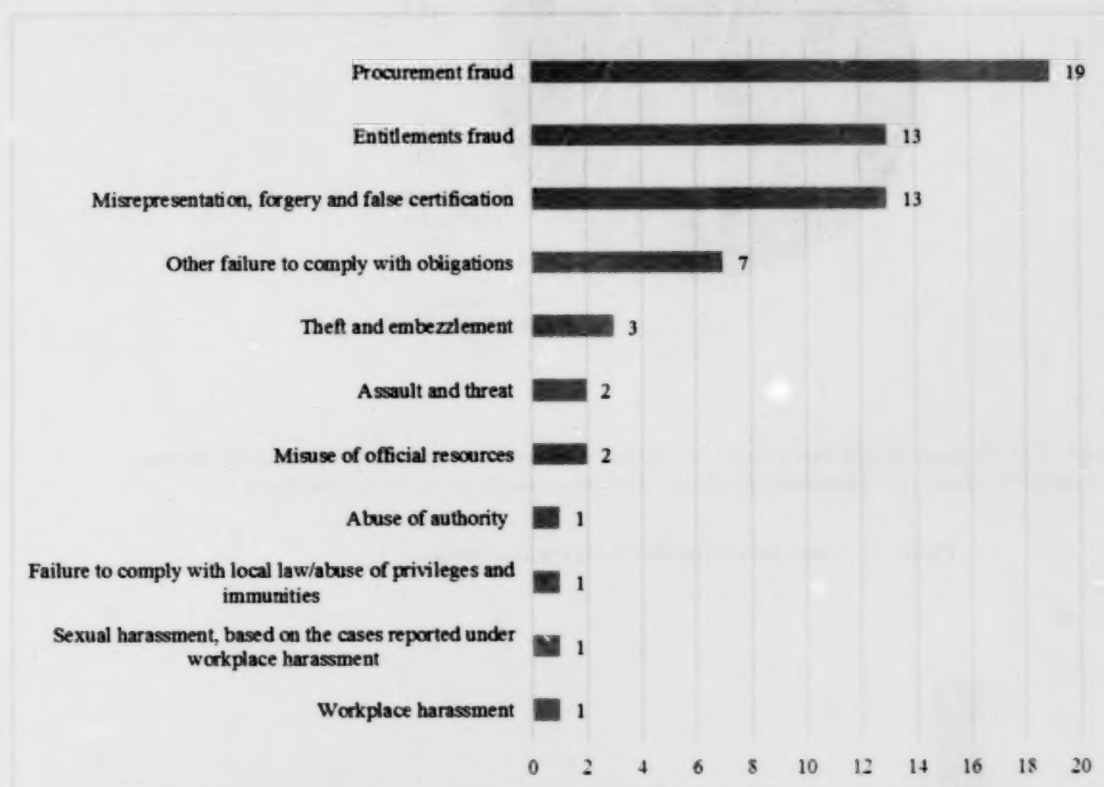
Figure 14. Disposition of cases

Actions taken	No. of cases 2016	No. of cases 2017
<i>After assessment</i>		
Closed, investigation not warranted	68	48
Referred to other UNDP offices	7	-
Total	75	48
<i>After investigation</i>		
Closed (not substantiated)	92	94
Closed (substantiated)		
- Submitted to Legal Office	23	33
- Submitted to country offices	13	11
- Submitted to Vendor Review Committee	25	17
- Submitted to other organizations	3	-
- Submitted to other UNDP offices	2	2
- Other investigation reports	-	-
Subtotal (substantiated)	66	63
Total cases closed after investigation	158	157
Total cases closed during the year	233	205
Investigation reports issued	60	65
Management letters issued	15	15

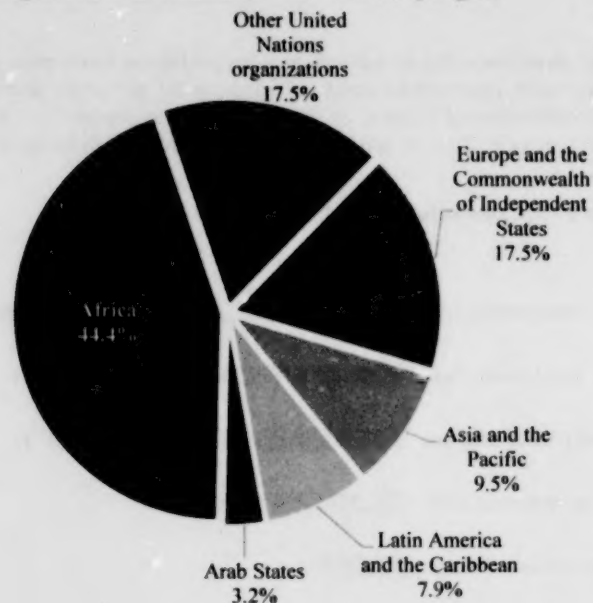
Substantiated cases

59. The misconduct identified in the 63 substantiated investigations was mainly procurement fraud (19 cases, or 30 per cent); entitlements fraud (13 cases, or 21 per cent); and misrepresentation, forgery and false certification (13 cases, or 21 per cent) (see figure 15). A summary of the substantiated investigations in 2017, by type of allegation, is included in annex 4.

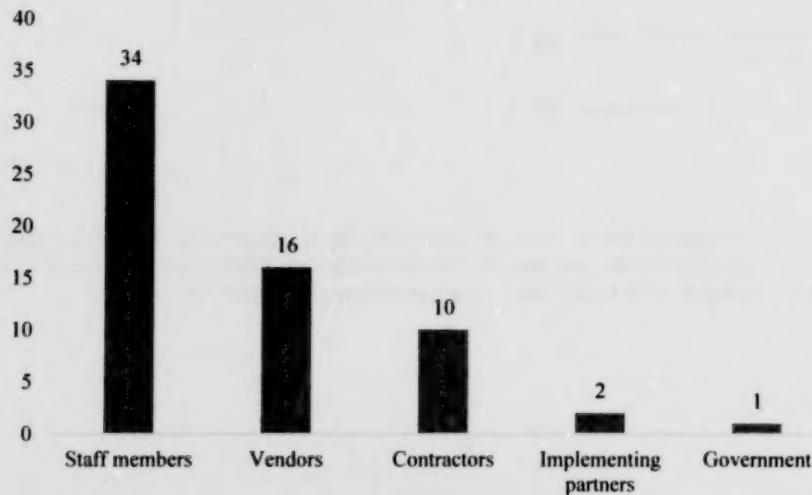
Figure 15. Cases substantiated in 2017, by category



60. Of the 63 substantiated cases, 44.4 per cent (28 cases) occurred in the Africa region, 17.5 per cent (11 cases) in the Europe and the Commonwealth of Independent States region, and 17.5 per cent (11 cases) in other United Nations organizations (see figure 16).

Figure 16. Cases substantiated in 2017, by region

61. The 63 substantiated cases involved 34 staff members, 16 vendors, 10 contractors (service contract holders), two implementing partners, and one government employee (see figure 17).

Figure 17. Cases substantiated by contractual status

Management letters

62. In 2017, the Office issued 15 management letters to relevant business units to address weaknesses in internal controls, as noted in the investigations performed by the Office.

Financial loss and recovery (decisions 2014/21 and 2015/13)

63. The total financial loss for UNDP, substantiated in investigation reports from the Office during 2017, amounted to \$569,358 (see annex 4). The loss related to six cases of entitlements fraud; four cases of procurement fraud; three cases of misrepresentation, forgery and false certification; one case of theft and embezzlement; one case of abuse of authority; and one case of misuse of official resources. As of the date of preparation of this report, UNDP had recovered \$11,828 of the identified loss – slightly more than two per cent. In addition, approximately \$2.67 million was recovered in 2017 for 12 cases reported between 2013 and 2016, and three cases for which no investigation report was issued since no UNDP personnel were involved and the matter was settled before the investigation was finalized.

64. In 2017, the Office continued to collaborate with the Bureau for Management Services on mechanisms to facilitate the recovery of losses, which included the establishment of a standing board on assets recovery and implementation of an assets tracker tool to monitor and track the recovery of physical and financial assets.

Actions taken in cases of misconduct (decision 2011/22)

65. Follow-up actions taken by other offices (the Legal Office, the United Nations Ethics Office, country offices, the Vendor Review Committee, and regional bureaus) in the cases substantiated by the Office are detailed below.

66. Based on the 33 investigation reports sent to the Legal Office concerning staff members in 2017, one staff member was dismissed and one had an agreed disciplinary measure imposed consisting of demotion of one grade without deferment of eligibility for promotion, and a fine of three months' net base salary. Pursuant to Article 72 of the legal framework, a letter was placed in the files of four staff members who had separated prior to the completion of the investigation, indicating that they would have been charged with misconduct had they remained employed with the organization. The remaining 27 reports sent to the Legal Office were still under review at the end of 2017.

67. The Office submitted one investigation report to the United Nations Ethics Office, which made its independent determination that the complainant had not suffered retaliation.

68. Of the 11 reports that the Office submitted to country offices, five service contract holders had their contracts terminated, while the contracts of two were not renewed. Two service contract holders had resigned prior to finalization of the investigation. The remaining two reports were still under review by the country offices at the end of 2017.

Other investigation reports

69. In 2017, the Office submitted 17 investigation reports to the Vendor Review Committee. One investigation report had been returned to the Office for additional evidentiary support and clarification prior to its presentation to the Committee. The remaining 16 investigation reports were still under review by the Committee at the end of 2017.

70. Two investigation reports were submitted to UNDP regional bureaus in 2017. One of these was forwarded to another United Nations organization.

71. The Office submitted to the Legal Office three requests for referrals to national authorities in 2017, for transmittal to the Office of Legal Affairs of the United Nations Secretariat. As of 31 December 2017, the Office of Legal Affairs had referred three cases to national authorities two requested by the Office in 2016 and one in 2017.

Social and environmental compliance

72. In 2017, the Social and Environmental Compliance Unit registered four new cases, for a total of six active cases, from Bosnia and Herzegovina, India, Lebanon, Malawi, Panama, and Uganda. As of 31 December 2017, the Unit had issued two final products: an informal advice note related to the India High Range Mountain Landscape project, and a formal compliance review related to the

'Business Call to Action' project. As the India case was informal, no monitoring role was contemplated. The Business Call to Action case was in its monitoring phase at the end of 2017.

73. In Guatemala, the Social and Environmental Compliance Unit participated in a joint outreach event with the independent consultation and investigation mechanism of the Inter-American Development Bank and the inspection panel of the World Bank, and conducted targeted outreach in Panama and Costa Rica. Additionally, the Unit updated its investigation guidelines; finalized a standard operating procedure for proactive investigations; participated in the annual meeting of the Independent Accountability Mechanism Network; increased the language offerings of its printed materials; and continued its 'in-reach' to UNDP country offices and management.

Other investigative activity

74. In October 2017, the Office co-hosted the annual Conference of International Investigators with the Office of Internal Oversight Services, UNFPA and the United Nations Children's Fund (UNICEF). The conference was attended by 150 participants from investigative offices throughout the United Nations system, multilateral development banks, and other organizations. It was preceded by a two-day training event and by the annual meeting of the Representatives of Investigative Services of the United Nations.

VIII. Coordination within the United Nations system

75. As a member of the United Nations Representatives of Internal Audit Services, the Director of the Office of Audit and Investigations participated in the Representatives' activities in 2017.

76. The Office continued to interact with Member States and counterparts to identify and share best practices, discuss matters of common interest, and promote cooperation with audit and investigation services in the United Nations system and other multilateral organizations. The Office is a member of the Secretariat of the Conference of International Investigators and co-organized the annual meeting of the Conference of International Investigators.

IX. Advisory and other audit services

Advisory services

77. The Office continued to provide advice to all levels of management at headquarters, regional centres and country offices. The advice covered a wide range of subjects, such as audit processes for non-governmental organization/nationally implemented projects and directly implemented projects; reporting and assessment for HACT; human resources processes; and information and communication technology policies. As requested, the Office regularly reviewed audit clauses in contribution agreements with donors.

78. In 2017, the Investigations Section continued to provide briefings to all UNDP regional bureaus and other offices, including the Bureau for Management Services, as well as to individual country offices, when required, on lessons learned from previous cases, with an emphasis on fraud prevention and early detection to mitigate the risk of fraud.

Audit and investigation services for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

79. Based on a two-year service agreement with the Executive Director of UN-Women that commenced in December 2015, the Office continued to provide internal audit and investigation services to UN-Women in 2017. However, following advice from the Office, UN-Women decided in 2017 to establish its own internal function, so the support of the Office to UN-Women was discontinued in December 2017.

X. Opinion

80. The Office provides independent internal oversight through internal audits on the adequacy and effectiveness of the UNDP governance, risk management and control framework.

81. The opinion of the Office is based on the audit reports issued between 1 January and 31 December 2017, the majority of which covered UNDP activities in 2016. A summary of the audit work supporting the opinion is included in chapter IV of the present report, and the supporting criteria and the methodology used to form the audit opinion are described in annex 5. The risk assessment methodology of the Office, which increases the frequency of audits of high-risk entities, is described in chapter I.

82. Based on the scope of work undertaken and the adequacy and effectiveness of the UNDP framework of governance, it is the opinion of the Office of Audit and Investigations that the elements of risk management and control covered in the audit reports issued in 2017 were, in aggregate, 'satisfactory', which means that, in the majority of business units or projects audited in 2017, they were adequately established and functioning well, and that the issues identified, if any, would not significantly affect the ability of the business unit or project to achieve its targets. The 92 per cent implementation ratio of audit recommendations as at 31 December 2017 was above the target set in the UNDP integrated results and resources framework. This implementation rate confirms that, in general, appropriate and timely action is taken as and when improvements in the governance, risk and control mechanisms become necessary.



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Reports of UNDP, UNFPA and UNOPS Ethics Offices

**Activities of the UNDP Ethics Office in 2017
Report of the Ethics Office**

Summary

Pursuant to decision 2008/37 of the Executive Board, the UNDP Ethics Office submits the present report covering its activities in 2017 for Board review. In accordance with the Secretary-General's bulletin on United Nations system-wide application of ethics, separately administered organs and programmes (ST/SGB/2007/11), the Ethics Panel of the United Nations reviewed the report at its 100th session on 13 February 2018 and the report was subsequently presented to the Administrator of UNDP.

This is the tenth annual report presented by the Ethics Office since its establishment in 2007.

Elements of a decision

The Executive Board may wish to take note of the present report and comment on progress made by the UNDP Ethics Office in strengthening the ethical culture of UNDP, including training, raising ethics awareness and protection against retaliation.

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I. Introduction

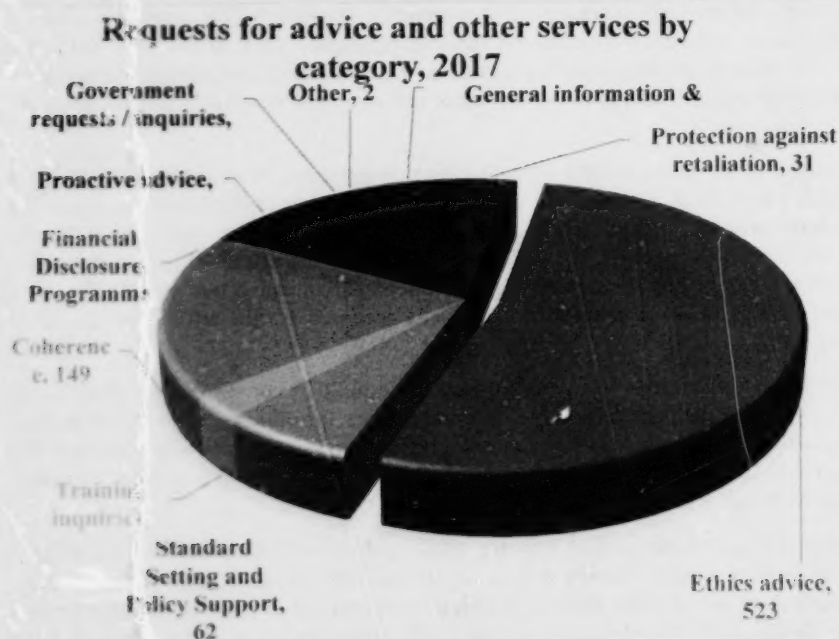
1. The present report is submitted pursuant to Executive Board decision 2008/37 and discusses the work of the UNDP Ethics Office in 2017, in accordance with its mandate to “cultivate and nurture a culture of ethics, integrity and accountability, and thereby enhance the trust in and credibility of the United Nations, both internally and externally”, as stipulated in Secretary-General’s bulletin ST/SGB/2007/11, section 1.1.
2. Based in New York, the Ethics Office provides ethics services to UNDP personnel globally working in over 170 countries and territories. This report summarizes the activities and achievements of the Ethics Office in each of its following mandate areas: (a) standards-setting and policy support; (b) ethics training, awareness-raising and outreach; (c) providing confidential and pragmatic advice and guidance to staff and management on ethics issues and ethics-related policies; (d) administering the financial disclosure programme; and (e) administering the protection against retaliation policy. The report further addresses the office’s engagement with the Ethics Panel of the United Nations (EPUN) and the Ethics Network of Multilateral Organizations (ENMO) for the purpose of harmonizing ethics policies and practices within the United Nations system.
3. A strong organizational culture of ethics and accountability that supports adherence to ethical practices is an essential requirement for the effective performance of UNDP programmes. The promotion of core ethical standards, and the visible adherence to those standards by all UNDP personnel, additionally serves to protect the reputation of the organization with government partners, donors, beneficiaries and other stakeholders. In furtherance of these objectives, the Ethics Office works to embed and enhance ethics in UNDP business processes and decision-making at all levels of the organization.
4. The Ethics Office functions on the principles of independence, impartiality and confidentiality. The office supports all UNDP personnel in maintaining the highest standards of integrity as required by the Charter of the United Nations, and reinforces the UNDP values of integrity, transparency, accountability, mutual respect, professionalism and results orientation through principled performance. In 2017, the office continued to develop and roll out an ambitious ethics programme designed to engage UNDP senior leadership, management and staff, and positively impact the work of the organization.
5. Indicative of the impact of the office’s ethics programme, and the confidence placed in the office by UNDP personnel as a trusted resource, each of the last three reporting periods have seen significant increases in requests for Ethics Office services. While the office received 643 requests in 2015 and 836 requests in 2016, this number again increased to 995 in 2017, representing a 55 per cent increase over 2015. Figure 1 provides a breakdown of requests for services received by the office for the 2017 reporting cycle.
6. The 995 matters addressed by the Ethics Office in 2017 constituted another record high. Considering the progressive increase in requests for ethics services over the last three reporting periods, and noting that it continues to proactively develop and roll out innovative ethics outreach and awareness-raising initiatives, the Ethics Office expects this upward trend in service requests to continue.
7. Staffed with a Director, Ethics Adviser, and an Administrative Assistant, the office’s ability to provide quality, timely advice to all received requests, and to launch new ethics initiatives, was greatly enhanced with the onboarding of a highly capable United Nations Volunteer (UN-Volunteer) in July 2017. However, as this individual left the office in January 2018 to pursue a paid staff position with the United Nations Secretariat, the office plans to recruit a replacement UN-Volunteer in 2018. The office

considers that such additional staffing support remains vital to maintain optimal responsiveness to service requests from all UNDP locations, and to ensure that the Ethics Office has sufficient capacity to continue the development of its forward-looking, trendsetting ethics programme.

8. Other notable Ethics Office results in 2017 include: launching the first UNDP code of ethics and the first UNDP internal reference guide, *Where To Go When: A Resource Guide for UNDP Personnel*; reviewing 1,306 financial disclosure statements; organizing and/or delivering face-to-face ethics training for over 880 UNDP personnel, customized to the specific audience addressed; conducting reviews of multiple UNDP and other United Nations system entity policies and processes to facilitate incorporation of ethics considerations and best practices; drafting a UNDP policy on gifts; developing and distributing additional ethics outreach materials, including updated outside activity approval procedure guidance and a UNDP learning newsletter on ethics in UNDP; creating a UNDP Ethics Office public web presence; and the Director's chairing of the 2017 Ethics Network of Multilateral Organizations annual meeting. The office also continued to provide tailored ethics briefings to senior management to support ethical leadership behaviour, and to increase utilization of social media platforms to enhance ethics awareness and institutional integrity.

9. By focusing on the practical application of ethics at all levels of UNDP, the Ethics Office has positioned itself as a respected and essential voice for effective organizational programming and service delivery. In addition to proactively advising on matters of stewardship, accountability and other ethical conduct, the office is regularly consulted by UNDP management, staff and business units for guidance on, inter alia, appropriate managerial practices, internal policy development, individual decision-making and stakeholder interactions. Serving as a valued repository of expertise and advice on standards of conduct and ethical business practices, the office continues to perform an essential function for the effective operation of UNDP.

Figure 1. Requests for advice and other services by category, 2017



II. Administrative activities

10. Despite the notable increase in service requests in 2017, and its efforts to build further on its proactive outreach work, the Ethics Office continued to operate with a small core staff consisting of a Director (D1), Ethics Adviser (P5), and an Administrative Associate (G6). Having operated from 2009 to 2014 with a junior professional officer (JPO), 2017 marked the third consecutive year that the office functioned without a JPO, despite its placement requests to Member States. To temporarily fill this staffing gap, in 2017 the Ethics Office received a UN-Volunteer thanks to the concerted efforts of the UNDP Associate Administrator and the Executive Coordinator of United Nations Volunteers. As the Ethics Office does not have budgetary capacity to recruit additional personnel, the UN-Volunteer was allocated to the office from UNV on a one-year, no-cost basis as part of a pilot placement scheme for UN-Volunteers at headquarters duty stations.

11. Following a recruitment exercise administered by the Ethics Office, the UN-Volunteer began working at the office on a one-year contract in July 2017. While the office had anticipated that the selected candidate would remain in the position through June 2018, the individual departed in January 2018 to take up a fully paid staff position with the United Nations Secretariat Ethics Office. During her six months of service, the UN-Volunteer significantly contributed to the work of the office, and greatly enhanced its ability to undertake additional initiatives to the benefit of the organization. Given the demonstrated value of such additional staffing, the UNDP Associate Administrator and the Executive Coordinator of UNV have arranged for the Ethics Office to receive another, no-cost UN-Volunteer replacement. While this constitutes a welcome development for the office's 2018 work programme, given the unstable and unpredictable nature of temporary placements, the office remains supportive of a more permanent solution to its persistent, long-standing staffing needs.

12. In 2017, the total budget for the Ethics Office remained static, although the pro rata portion reflecting operating expenses was slightly below that of previous years. This raises the concern that, with staffing costs and operating expenses increasing year to year, ensuring the budget remains constant effectively causes the office to operate more creatively with less funds, and thereby risks a concomitant reduction in services.

13. Challenges notwithstanding, the Ethics Office continues to provide comprehensive, results-based ethics services across UNDP. Through its expansive and innovative programmes and initiatives, the office will continue to strive to further strengthen and embed ethics into UNDP daily operations and business practices.

III. Mandated activities

14. In accordance with its mandate to promote and sustain a culture of ethics, transparency and accountability within UNDP, in 2017 the Ethics Office attained significant achievements within each of its core areas of responsibility.

A. Standards-setting and policy support

15. During the reporting period, the Ethics Office continued to provide substantive support in the area of UNDP policy development upon the request of management, or through its proactive engagement with relevant business units. The Ethics Office Director also participated in meetings of the Organizational Performance Group (OPG), where he provided policy input on matters under OPG review. The office reviewed a number of UNDP policies and guidelines in order to incorporate ethics considerations and other standards necessary for effective business performance. These included: the Guidelines for Social Media; the Policy on Performance Management and Development; the Policy on E-records and E-signatures; the Information Disclosure

Policy; the Contract Management Policy; the Standard Operating Procedure on Retaliation in the context of social and environmental compliance investigations; and the Occupational Safety, Health and Wellbeing Strategy and Medium-Term Implementation Plan, 2017-2018.

16. While the receipt of gifts, honours or hospitality by UNDP staff is governed by the staff regulations and rules of the United Nations, UNDP does not have a specific gifts policy addressing applicable UNDP procedures. To fill this gap, the Ethics Office developed a draft UNDP policy on gifts, honours, decoration, favours, hospitality or remuneration from governmental and non-governmental sources that provides detailed guidance to UNDP personnel on how to manage situations where a gift or other item has been offered or presented. The office further updated the UNDP gift declaration and registration form to ensure alignment with the proposed policy. Following consultations with relevant UNDP offices, the Ethics Office anticipates that the draft policy will be presented to the Organizational Performance Group for review and approval in the first half of 2018.

17. In addition to providing policy support within UNDP, throughout 2017 the Ethics Office provided ethics policy expertise to other United Nations system entities. Most notably, the office provided comments on proposed revisions to the Secretary-General's bulletin on protection against retaliation, as well as an administrative instruction on the personal use of social media. The office also engaged with the United Nations Joint Inspection Unit (JIU) on its draft review of mechanisms and policies addressing conflict of interest in the United Nations system (JIU/REP/2017/9), and on its whistle-blower policy review on system-wide policies and practices for protecting those who report misconduct (not yet issued). The office also provided feedback to the World Health Organization (WHO) on draft WHO materials on the prevention and management of conflicts of interest for national nutrition programmes.

18. As previously reported, as part of its recruitment process, UNDP utilizes a new staff conflict of interest declaration form for shortlisted candidates. The Ethics Office developed the form, which is used to identify and eliminate potential conflicts of interest before an individual begins employment with UNDP. While the form's questions have been integrated into the UNDP on-line application tool, the United Nations Secretariat and UNFPA have adopted the form for conflict of interest vetting for certain high-level posts, including all incoming assistant secretaries-general and under-secretaries-general.

19. In 2017, the UNDP Office of Financial Resources Management (OFRM) initiated the development of an anti-fraud online training module for UNDP personnel. Impressed with the Ethics Office's online course, Ethics and Integrity at UNDP, and considering the office's anti-corruption expertise, OFRM requested Ethics Office support on the development of anti-fraud training. The office subsequently reviewed and edited proposed course content, and submitted significant materials to the OFRM expert consultant retained to develop the training.

20. As reported last year, in 2016 the Workplace Harassment Working Group – led by the Bureau for Management Services with Ethics Office support – finalized new procedures to increase the transparency and effectiveness of the UNDP response to allegations of workplace harassment, sexual harassment, discrimination and abuse of authority. The working group was established pursuant to a 2014 Ethics Office management recommendation to the Executive Board.

21. Under the new procedures, the Office of the Ombudsman for United Nations Funds and Programmes centrally administers the intake of cases involving such allegations, and maintains a central database for individual case tracking. The Office of the Ombudsman determines whether informal resolution of a received case is possible, or whether the allegation rises to the level of potential misconduct to be referred to the

UNDP Office of Audit and Investigations (OAI). In 2017, the Workplace Harassment Working Group initiated quarterly monitoring and assessment meetings on the new procedures. The group considers the new system is working effectively and that received allegations are being addressed in a timely and responsive manner.

22. Pursuant to its mandate to advocate for ethics standards-setting, the Ethics Office has worked closely with the Office of Human Resources (OHR) focal point on sexual exploitation and abuse, the Legal Office and OAI, in the context of the cross-organizational Working Group on the Prevention of Sexual Exploitation and Abuse, which has been tasked to improve and harmonize policies and practices across the United Nations system. With growing recognition that a robust response to sexual exploitation and abuse is required in all United Nations operational locations, the Ethics Office participated in weekly working group meetings, and provided advice on, inter alia, the development of a United Nations protocol to address sexual exploitation and abuse allegations involving implementing partners, the finalization of a new prevention of sexual exploitation and abuse online e-course for UNDP personnel, and the creation of awareness-raising materials. Following the launch of the e-course in November 2017, the Ethics Office, OHR, OAI and the Office of the Ombudsman hosted a webinar on the differences between sexual exploitation and abuse and sexual harassment, relevant reporting procedures and obligations, and the UNDP protection against retaliation policy. The office was able to dedicate significantly more attention to this issue in 2017, having assigned to the working group its former UN-Volunteer who holds considerable expertise in the area of prevention of sexual exploitation and abuse.

23. During the reporting period, the Ethics Office was requested to provide its expertise and ethics guidance to a number of thematic UNDP and United Nations entity initiatives. Within UNDP, the office provided input on the possible establishment of an ethics board for experimental interventions, such as randomized control trials within UNDP programmes. The office also provided advice to the UNDP Private Sector Due Diligence Inter-Bureau Committee on the issue of risk assessments for high net-worth individuals seeking to contribute to the organization. Furthermore, the office engaged with an inter-agency privacy policy group organized by the United Nations Global Pulse to develop a set of principles to be used by member organizations for the ethical use of "big data". Because the Ethics Office and two other United Nations organizations have raised significant concerns with the proposed data principles, on the grounds that they do not sufficiently address data ethics and data subject rights, consultations on this matter will continue into 2018. Finally, the office completed the Organisation for Economic Co-operation and Development's questionnaire on ethics frameworks, and contributed to the UNDP response to the United Kingdom National Audit Office investigation into the Department for International Development's approach to tackling fraud, and the UNDP draft sustainability report.

24. In accordance with decision 2010/17 of the Executive Board, the Ethics Office continued to vet recommended candidates for key UNDP oversight positions for potential conflicts of interest.

B. Training, outreach and awareness-raising

25. Training and awareness-raising constitute key elements of the work of the Ethics Office. While the ethics training the office provides raises awareness of required standards of conduct for all UNDP personnel, it is also tailored to emphasize the pragmatic, 'business value' of ethics by demonstrating that ethical decision-making is essential to the effective operation of the organization. Given that UNDP operates in high-risk environments around the world and is composed of a diverse, multicultural workforce, UNDP personnel's adherence to a unified set of ethical standards, expectations and practices protects both the integrity of UNDP programme delivery and the organization's reputation. By ensuring their daily work and decision-making is

guided by the principles of the United Nations Charter and applicable standards of conduct, UNDP personnel strengthen institutional integrity and accountability.

26. The visible adherence of managers and senior leaders to ethical values and behaviour also constitutes an essential element of UNDP ethical culture. Separate ethical leadership training by the Ethics Office reinforces 'tone at the top' and 'mood in the middle' (mid-level managers who handle day-to-day operations), reminding those with managerial responsibilities they must exhibit role-model behaviour.

Online course and related modules

27. In 2016, the Administrator made the Ethics Office online ethics course, Ethics and Integrity at UNDP, mandatory for all UNDP staff members, which in 2017 became mandatory for all UNDP service contract holders. Available in English, French and Spanish, the course uses relevant, scenario-based instruction to promote ethical decision-making and a common awareness of relevant UNDP policies, procedures and standards of conduct. As of 31 December 2017, 8,753 UNDP personnel have completed the course.

28. Considering the importance of course completion by all UNDP personnel, in September and December 2017 the Director of the Ethics Office sent reminders to all outstanding course takers to finish the course by the end of the year. As compliance remains an issue for all mandatory UNDP courses, the office has engaged with the Learning Management Team, Office of Human Resources, to devise approaches to facilitate full course completion, including the potential use of learning focal points at field duty stations. In 2018, it will roll out additional measures to drive full course completion.

29. The Ethics Office also offers three voluntary online ethics mini-courses on protection against retaliation, the financial disclosure programme, and avoiding conflicts of interest. All three mini-courses were introduced in 2015, and are available in English, French and Spanish. While there were, collectively, 496 course completions by the end of 2016, that number increased significantly to 1,132 course completions by 31 December 2017. The office will continue to promote these additional courses in its outreach and awareness-raising work.

Face-to-face workshop and webinars

30. Throughout 2017, the Ethics Office remained committed to reaching personnel across UNDP. Engagement in outreach and in-person training is a crucial means to broaden awareness of the office's services, enhance staff understanding of ethics requirements, and identify and address ethics-related concerns, including whistleblower protection. Such interaction at all levels of the organization is essential for preventing, mitigating and managing ethical and reputational risk.

31. During the reporting period, the Ethics Office arranged in-person ethics workshops and ethical leadership sessions for country offices in Brazil, Guyana, Kenya, Mozambique, South Africa and Swaziland. In light of its limited resources, and to avoid costly travel where feasible, the office conducted several of these trainings on a cost-effective basis, using its external training provider when the trainer had resources located geographically closer to the targeted offices. The office nonetheless joined all externally-facilitated trainings via live, web-based applications to answer participant questions. Additionally, at the March 2017 regional cluster meeting held by the Regional Bureau for Asia and the Pacific (RBAP), the office held two workshops for incoming junior professional officers, an ethics briefing for new Executive Board members, an ethics briefing for new resident representatives, a presentation to the United Nations Global Pulse Privacy Group on data privacy, and separate ethics briefings on the new UNDP Code of Ethics to the Office of Audit and Investigations

and the Independent Evaluation Office at headquarters. Finally, the office also contributed to the UNDP course curriculum for new country directors.

32. To ensure its ethics training remains dynamic, relevant and practical, in 2017 the Ethics Office continued to customize its ethics workshop and ethics leadership training materials to the needs of each country office or audience. The office specifically incorporated issues that had arisen at the training location, and ensured that its tailored training deck included the results of ethics questions from the 2016 global staff survey (results released 2017) for the location. Focus on pragmatic application of ethics to local realities and specific country office concerns has led to increased staff and leadership engagement on ethics issues. This is demonstrated by the increased number of ethics advice requests received from both staff and senior leadership at locations where trainings have been conducted.

33. In addition to specific ethics training, the Ethics Office also joined the Office of the Ombudsman, the Legal Office, Office of Human Resources, and the United Nations Secretariat's Office of Administration of Justice for a group webinar on understanding the formal and informal mechanisms to resolve workplace disputes and grievances in UNDP. Such collaboration is indicative of the excellent cooperation among UNDP offices.

34. In total, more than 880 staff members and other personnel participated in face-to-face ethics workshops, group briefings, panel discussions and live/web-based training sessions in 2017. This number is less than in previous years because the majority of regional cluster meetings were not held in 2017, owing to the change in UNDP executive leadership. As all regional cluster meetings are expected to resume in 2018, the Ethics Office has been assured it has a standing invitation to attend and present at each.

Senior management briefings

35. Senior leadership and heads of business units regularly approached the Ethics Office in 2017 for pragmatic ethics advice and guidance, underscoring its standing as an integral business partner. Given the importance of leadership in ethical role-modelling and in providing strategic direction for the organization, the office proactively engaged leadership on ethical decision-making and ethical business management. In addition to the Director of the Ethics Office providing individual ethics briefings to the new UNDP Administrator, his Chief of Staff and other incoming members of the Executive Office, the office regularly participated in briefings for new Executive Board members, new resident coordinators/resident representatives, and new country office directors and their deputies. The office also continued to provide personal ethics inductions and briefings to newly appointed senior leaders at the director-level and above stationed at headquarters, and met with other senior officials as they visited headquarters or while in the field.

36. While it emphasizes that senior leadership must serve as examples of ethical conduct and integrity by reinforcing the standards expected of all UNDP personnel, the Ethics Office continued to focus on the leadership responsibilities of middle management. In overseeing the day-to-day operations of the organization and through its engaging with personnel at the ground level, those in middle management are particularly well placed to have the greatest positive impact on the UNDP global workforce.

Awareness-raising and communication activities

37. An essential component of the training, outreach, and awareness-raising mandate of the Ethics Office is the production and distribution of ethics information and guidance materials. To strengthen global staff awareness of their ethical obligations, and recognizing its own capacity limitations, the office has prioritized the development of accessible staff resource materials and leveraged web-based communication tools.

38. In 2017, the Ethics Office continued its proactive awareness campaign to promote and foster an ethical culture within UNDP. In addition to the use of global staff broadcasts and email to deliver ethics information and promote ethics education, the office actively utilizes social media for ethics messaging. During the reporting period, the office expanded its Twitter and Yammer (an internal UNDP social network) presence to circulate ethics articles, surveys, and opinion pieces for the purpose of promoting ethics as a constituent element of UNDP business practices, operations, and daily work. The office additionally expanded use of the 'Ethics' discussion group in Yammer, where it responded directly to individual ethics inquiries, and conducted open discussions on ethics matters raised by personnel. Since the launch of the office's Twitter and Yammer presence, the Director of the Ethics Office has issued 313 tweets and 312 Yammer posts.

39. As indicated, in 2017 the Ethics Office continued to issue emails and bulletins to UNDP leadership and personnel on ethics matters. Periodic emails to UNDP management stress the pragmatic business value of ethics, and provide real-life ethical examples directly translatable to UNDP experience and situations. Regarding all-personnel bulletins, in October 2017 the office issued the updated informational bulletin, *Guidance for Obtaining Approval to Engage in Outside Activities*. The bulletin was issued in English, French and Spanish, and included a revised outside activity request form, as well as detailed facts and questions addressing case scenarios. Demonstrating the importance of sustained Ethics Office outreach on ethics requirements and procedures, the release of the bulletin resulted in a significant increase in outside activity inquiries and requests submitted to the office for conflict of interest vetting from across UNDP locations.

40. Following approval and commendation from the Organizational Performance Group, in April 2017 the Administrator officially released the very first UNDP Code of Ethics. Noting that UNDP did not previously possess a document that references all policies and procedures impacting UNDP ethical culture, the Code of Ethics presents relevant ethical standards and expectations for all UNDP personnel. The code, which is available in English, French and Spanish, represents a critical step in consolidating the UNDP ethics programme as a leader within the United Nations system. Considered an essential element of an effective ethics programme in the private and governmental sectors, UNDP is presently the only United Nations organization to have adopted such a comprehensive code. The Code of Ethics has been extremely well received within UNDP, and among other United Nations funds, programmes and specialized agencies.

41. In November 2017, the Ethics Office released its new publication, *Where to Go When: A Resource Guide for UNDP Personnel*. Based on a similar publication by the United Nations Secretariat Ethics Office, *Where to Go When* is the first comprehensive UNDP reference guide outlining the various support offices and services available to UNDP personnel. For each identified resource, including the Ethics Office, the Office of the Ombudsman and the Office of Audit and Investigations, the guide provides information on mandates and relevant policy documents. The consolidation of resource information into a single publication is intended to enhance organizational efficiency and accountability. Available in English, French and Spanish, and developed as a companion piece to the Code of Ethics, both documents are now being used as core elements of Ethics Office trainings, briefings and other outreach work.

42. As previously reported, the Code of Ethics and Where to Go When break from the traditional use of expensive printed documents that can quickly become outdated. Developed as online, interactive resources that are visually appealing and highly user-friendly, both publications support the UNDP commitment to sustainability and reflect best practice in the ethics field in the private sector.

43. Other issuances from the Ethics Office in 2017 included an annual bulletin on appropriate behaviour and expectations during end-of-year holidays, including reminders on gift policies and social gatherings; and a bulletin to all management on fostering appropriate behaviour within and outside the workplace at this time of perceived erosion of civility.

44. In 2017, the Ethics Office assisted the UNDP country office in Mexico in incorporating ethics content into its new welcome booklet for incoming personnel. The office also joined a headquarters team composed of the Office of Human Resources, the Office of the Ombudsman and relevant regional bureaux to a country office that had been experiencing long-standing interpersonal and workplace conflict issues. Noting that significant workplace conflict has the potential to negatively impact operations and the organization's reputation, the mission succeeded in diffusing tensions and demonstrated the utility of adopting a collaborative and integrated approach to such matters.

45. As part of its robust communications initiatives, the Ethics Office further collaborated with the Office of Human Resources Talent Development Unit on the development of an ethics edition of the OHR Learning@UNDP Newsletter series. Broadcast to all UNDP personnel in December 2017, the newsletter focused entirely on ethics in UNDP, and included a video from the Director of the Ethics Office, along with links to multiple office resources, such as the Code of Ethics, Where to Go When, online ethics training courses, ethics informational brochures and UNDP policies on protection against retaliation and the financial disclosure programme. The production of the newsletter serves as another example of the office's excellent collaboration with other UNDP business units, and demonstrates organizational recognition of the importance of ethics for UNDP operations.

46. In addition to regularly updating ethics information on its intranet site to ensure that UNDP staff and managers have full access to current ethics materials and guidance documents, the Ethics Office established a public web presence through the creation of an ethics page on the UNDP public-facing website. Providing links to the Code of Ethics and other UNDP ethics policies and informational materials, the new public site will further contribute to the reputation of UNDP as one of the United Nations system's most transparent organizations. While the office's intranet site had 9,436 page views by UNDP personnel in 2017, the public site received 1,211 views.

Other awareness-raising activities and briefings

47. In 2017, the Ethics Office continued to provide briefings on the ethics programme and support to external entities. The office conducted separate, in-person information sessions for ethics function representatives from the International Labour Organization and the Organisation for Economic Co-operation and Development. Following a request from the International Atomic Energy Agency (IAEA), the office hosted a IAEA staff member for two weeks in June 2017. The individual was provided the opportunity to observe and learn from the office's operations in order to apply those best practices at the IAEA. The office also arranged for the individual to visit the ethics offices of other New York-based United Nations organizations during their learning visit.

C. Confidential advice and guidance

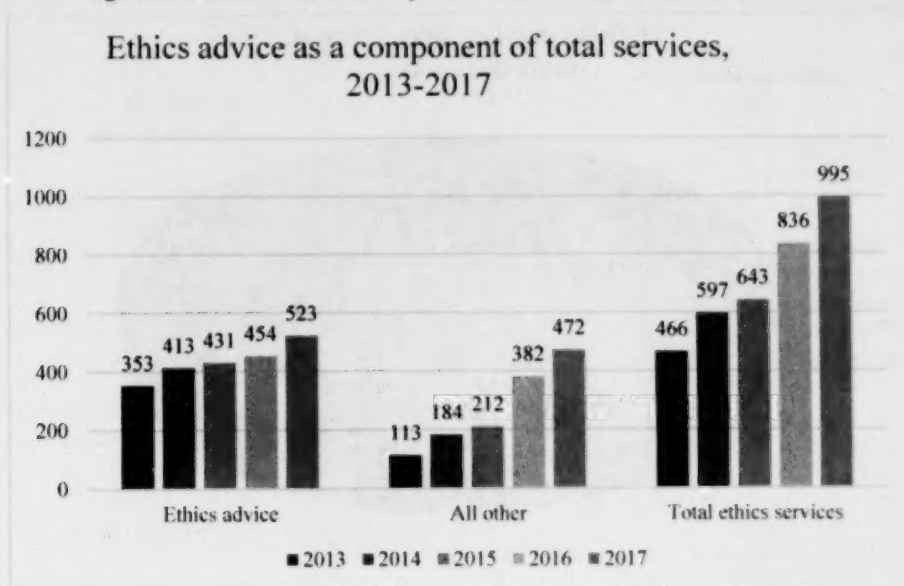
48. UNDP ethical culture drives how individuals behave, how decisions are made, and how the organization is perceived by its personnel, suppliers, donors, Member States and the public that it serves. From the perspective of its business operations and public reputation, it is critical that UNDP demonstrate a positive, ethical culture committed to fairness, accountability and transparency, and holds itself and its personnel to the highest standards of integrity.

49. The provision of confidential ethics advice is a critical function of the Ethics Office. In providing impartial and pragmatic guidance to staff and management on the appropriateness of contemplated actions, and by clarifying institutional expectations pursuant to applicable rules and regulations, the office enables personnel to make better decisions that advance the values, principles and interests of UNDP. The provision of ethics advice prepares personnel to better identify and manage potential risks and conflicts of interest, and resolve ethical dilemmas before they become problems, thereby avoiding operational and reputational damage. Access to the confidential services of the Ethics Office provides UNDP personnel with a safe haven where they can raise concerns and where they can alert the office to situations that may require remedial action to mitigate harm to the individual or the organization. In assisting personnel to navigate complex workplace issues and take appropriate course of action, the office's advisory function serves to protect the integrity and credibility of UNDP operations and, by extension, its public reputation.

50. While the number of ethics service matters the Ethics Office deals with has increased every year since 2013 (see figure 2), each of the last two reporting cycles has set significant records. In 2017, the Ethics Office fielded 995 requests for services, of which 523 were for ethics advice. This represents the highest number of matters the office has ever dealt with in its history. By way of comparison, the office received 836 requests for services, with 454 ethics advice requests, in 2016; and 643 requests for services, with 431 ethics advice requests, in 2015. The 2017 numbers constitute a 55 per cent increase in overall ethics service matters, and a 21 per cent increase in received advice requests, in the last two years.

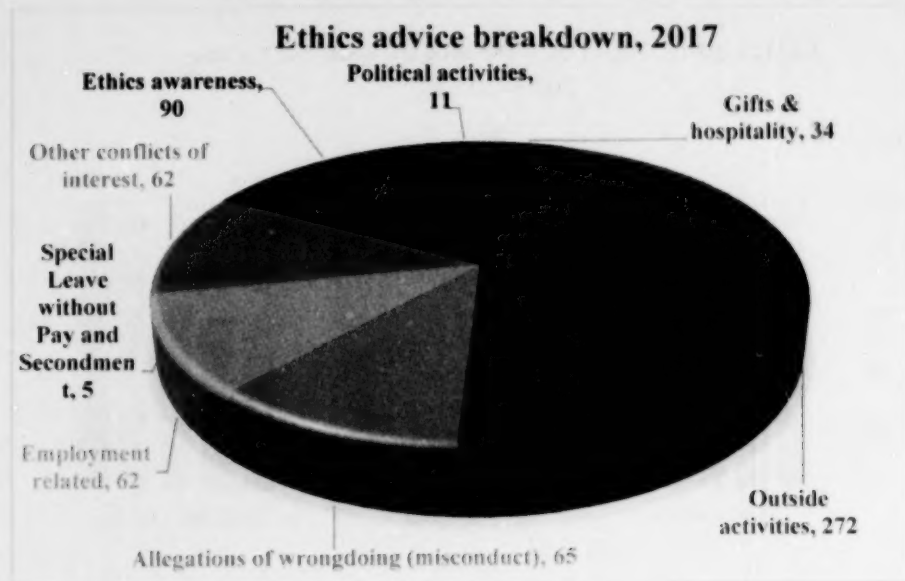
51. As stated, the Ethics Office's recruitment of a highly capable UN-Volunteer in July 2017 greatly enhanced its ability to respond effectively to the record number of received advice requests as it continued to proactively develop and roll out new ethics initiatives.

52. The sizeable yearly increases in requests to the Ethics Office are reflective of the success of its expansive training, outreach and awareness-raising activities, and the trust and confidence that staff and management have in its ability to provide timely, confidential advice that has real-world applicability for the concrete ethics issues that they face in their daily work. Given the office's reputation as a respected advocate of UNDP values and principles and as dispenser of effective, impartial and pragmatic advice, management and personnel regularly seek its counsel before taking actions. It is anticipated that service demands will continue to grow as a consequence of the office's proactive work programme; the office remains committed to its role as a responsive and essential resource within UNDP. To this end, the office will continue to cultivate and nurture relations with staff and management, and provide valued business and ethics expertise to further advance the interests and objectives of the organization.

Figure 2. Ethics advice as a component of total services, 2013-2017

53. During the reporting period, 53 per cent of all requests for Ethics Office services concerned ethics advice and guidance. As shown in figure 3 below, the office provides ethics advice on a broad range of matters, including: involvement in political activities; acceptance of gifts, awards and hospitality from government and non-government sources; actual or potential conflicts of interest; misconduct reporting procedures; employment-related concerns; and outside activity requests. As stated, in providing advice and guidance on relevant standards of conduct and by clarifying personnel obligations under applicable rules and regulations, the office enables staff and management alike to make better decisions that are in the best interests of the organization. In providing this function, the office supports and protects the integrity and credibility of UNDP.

Figure 3. Ethics advice breakdown, 2017

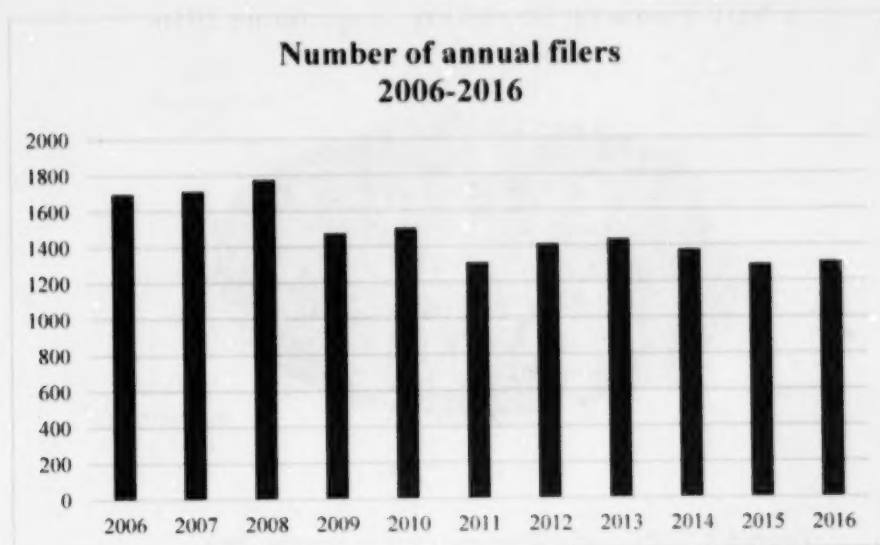


D. Financial disclosure programme for the 2016 transaction year (filed in 2017)

54. The Ethics Office administers the UNDP annual financial disclosure programme, reviews disclosed information, verifies information provided, and provides advice and guidance to manage and mitigate any disclosed or detected conflicts of interest.

55. The financial disclosure programme is designed for the identification, management and elimination of actual and potential conflicts of interest between a staff member's or service contractor's private holdings and/or interests, and their official duties and obligations. It is of primary importance that UNDP personnel act impartially in carrying out their duties, and are not improperly motivated by their personal interests. The purpose of the programme is accordingly to: (a) ensure that the independence and impartiality of UNDP personnel are preserved in official decision-making; and (b) promote transparency and public trust in UNDP. Staff regulations require that all staff at the D1 level and above, plus other designated personnel, file an annual financial disclosure statement concerning themselves, their spouse and their dependent children. Filers may also be required to participate in a verification exercise to authenticate the accuracy and completeness of their submitted information.

56. In 2017, the Ethics Office rolled out its eleventh annual financial disclosure exercise, covering the 2016 transaction year. Launched in March 2017, 1,306 filers participated in the programme. As indicated in figure 4, the number of filers has remained relatively consistent over the history of the programme. While a number of United Nations system ethics offices outsource the review of filer submissions to external vendors, the office maintained its practice of internal review pursuant to which it directly reviewed all 1,306 financial disclosure statements. As with prior filing exercises, the programme achieved a 100 per cent compliance rate for the 2016 transaction year.

Figure 4. Number of financial disclosure policy annual filers from 2006 to 2016

57. Following the inclusion of service contract holders in the programme in 2015, 86 service contract holders who met filing criteria participated in the 2016 filing exercise. Service contract holders only account for 7 per cent of the total filer population, and they typically do not hold positions with filing obligations (such as procurement); the inclusion of their category has ensured comprehensive programme coverage for all UNDP personnel.

58. The Ethics Office again conducted real-time reviews of financial disclosure statements upon their submission. As previously reported, the practice of conducting reviews at the time of filing: (a) significantly enhances timely and efficient communications with filers; (b) enables the office's staff to promptly request additional information or clarifications; and (c) facilitates the provision of immediate guidance to filers on required actions to mitigate potential conflicts of interest.

59. Figures 5 and 6 below display the percentage of financial disclosure programme filers by rank and function for the most recent filing exercise. As in the past, middle management and those with procurement functions constitute the largest percentage of filers.

Figure 5. UNDP financial disclosure policy filers by rank, 2016

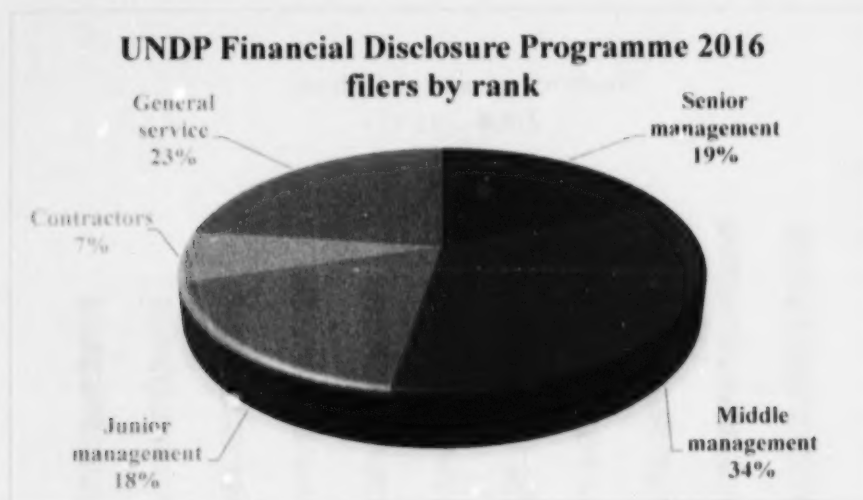
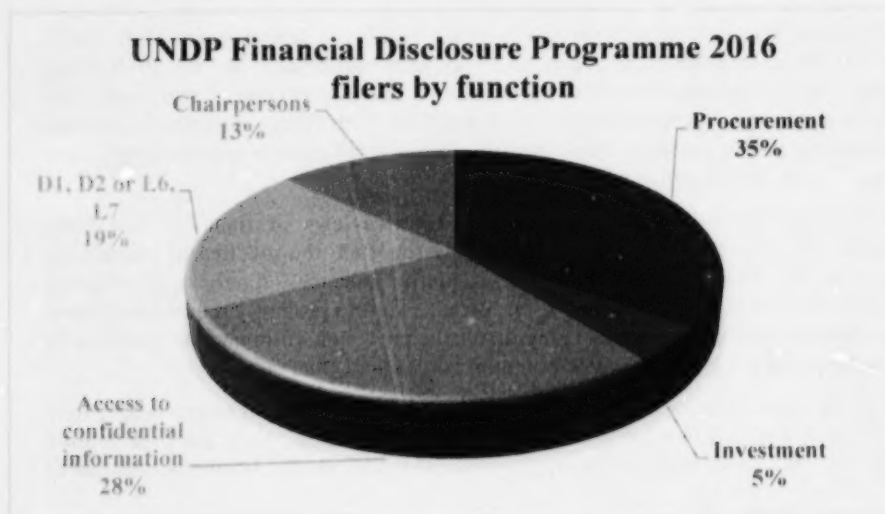


Figure 6. UNDP financial disclosure filers by function, 2016



Review of data and provision of conflict of interest advice

60. The Ethics Office's review of financial disclosure programme statements involves the following three step approach: (a) individual statements are vetted to ensure completeness of submitted information – the office conducts robust follow-up with all filers who submit incomplete or unclear information; (b) declared financial holdings are compared against a restricted list of UNDP vendors and investment funds; and (c) declared outside interests and activities are examined against applicable prohibitions or restrictions contained in United Nations staff regulations and rules. Taking into consideration the official functions and duty station of the relevant filer, all reviews are conducted for the purpose of identifying actual and potential conflicts of interest and, where conflicts are detected, providing remedial or proactive advice.

61. In 2017, the Ethics Office provided advice to four filers in cases where apparent conflict of interests were detected. Appropriate corrective action was taken by all four filers to remedy the identified conflicts. In 70 cases, proactive advice and guidance were provided to manage or mitigate a potential conflict of interest so that an actual conflict of interest could be avoided. As with prior years, a significant proportion of these cases involved UNDP personnel with family members working at government agencies, non-government organizations, or with potential UNDP vendors/suppliers at the same geographic location.

62. To ensure that the financial disclosure programme is optimally robust and effective in fulfilling its purpose, in 2017 the Ethics Office initiated a review of the information that filers must submit. Noting that the programme currently requires the disclosure of all financial assets and holdings with a value of \$10,000 and above, the office has developed additional disclosure questions focused on holdings and relationships that directly relate to UNDP or UNDP interests. These questions will be incorporated into the 2018 financial disclosure exercise, and will be reassessed upon the conclusion of the 2018 filing cycle for permanent inclusion.

Verification of financial disclosure programme statements

63. The verification of filer information for accuracy and completeness is an integral part of the financial disclosure programme. During the 2017 filing cycle, 30 filers were selected for verification by the Ethics Office through a stratified random sample representative of the total population's location, grade and gender. Aided by the office's robust follow-up and advisory assistance, all verification participants completed submission of required third party documentation, thereby continuing the positive trend of full compliance.

Secretary-General's voluntary public disclosure initiative

64. The United Nations Ethics Office administers the Secretary-General's voluntary public disclosure initiative for senior officials at the assistant secretary-general level and above. In 2017, the UNDP Administrator, Associate Administrator and other ranking members of UNDP senior management team took part in the exercise.

E. Protection of staff against retaliation for reporting misconduct and/or cooperating with duly authorized audits or investigations

65. Pursuant to the Secretary-General's bulletin ST/SGB/2007/11, United Nations System-wide Application of Ethics: Separately Administered Organs and Programmes, the Ethics Office administers the UNDP Policy for Protection Against Retaliation. The policy is both a whistleblower protection programme and a risk management mechanism that encourages UNDP personnel to report misconduct and/or cooperate with authorized audits and investigations, without fear of reprisal. In promoting and providing protection for such reporting, the policy enhances the ability of UNDP to investigate and remedy conduct that, if left unaddressed, could cause significant damage to UNDP operations and reputation.

66. In accordance with the policy, the Ethics Office receives complaints of retaliation and conducts preliminary assessments to determine whether a complainant has engaged in a protected activity and, if so, whether the protected activity was a contributing factor in causing the alleged retaliation. If the office determines that a prima facie case of retaliation has been established, the matter is referred to the Office of Audit and Investigations for investigation. The office makes a final retaliation determination subsequent to its receipt and independent review of the OAI investigation report and exhibit.

67. In 2017, the Ethics Office received 31 inquiries regarding protection against retaliation, of which 28 involved requests for policy information and advice, including questions on policy procedures. The remaining three requests were formal complaints of retaliation, where the complainants alleged they had been subjected to harmful retaliatory action as a consequence of engaging in a protected activity. In comparison, the office received five formal complaints in 2015, and two complaints in 2016.

68. The 28 requests for policy information and advice received in 2017 mark an increase over the 17 protection-against-retaliation-advice inquiries received in 2016. While partly attributable to Ethics Office awareness-raising activities and the increased attention to the topic of whistleblowing throughout the United Nations system, the increase in advice inquiries additionally reflects the fact that the Ethics Office is increasingly viewed by other ENMO ethics offices as a leading authority on protection-against-retaliation matters; about a third of the advice inquiries received in 2017 came from other ethics offices seeking guidance on specific protection-against-retaliation policy requirements and case review procedures.

69. In addition to providing general advice on policy content and applicability to UNDP personnel, the Ethics Office advised individuals, who raised workplace concerns not covered by the policy, of other available and appropriate support offices, including the Office of the Ombudsman, the Office of Human Resources and the Office of Staff Legal Assistance. The office further maintained an 'open door policy' to those individuals in the event they wished to provide case updates or seek additional guidance.

70. Concerning the three retaliation complaints received in 2017, the complainants in two of the cases ultimately sought and obtained, to their satisfaction, timely and effective resolution through the Office of the Ombudsman. Noting that UNDP encourages the informal resolution of conflicts, the policy for protection against retaliation provides complainants the option of pursuing informal resolution through the Office of the Ombudsman as an alternative to a formal complaint and investigation process. The successful resolution of these two cases, avoiding lengthy and costly formal procedures, constitutes another positive outcome of the strong and collaborative working relationship between the Ethics Office and the Office of the Ombudsman.

71. Regarding the remaining retaliation complaint, after conducting a comprehensive preliminary assessment involving, inter alia, the review of voluminous case documentation submitted by the complainant, the Ethics Office determined that a *prima facie* case of retaliation had not been established. The complainant was accordingly advised of appropriate, alternate internal recourse mechanisms to address their concerns.

72. As noted earlier, in 2017 the Joint Inspection Unit (JIU) initiated a whistleblower policy review focused on system-wide policies and practices for: (a) reporting misconduct; and (b) protecting those who report from retaliation. During the reporting period, the Ethics Office completed expansive JIU questionnaires regarding its protection-against-retaliation function, and talked at length with JIU Inspectors on multiple occasions. As Chairman of the Ethics Network of Multilateral Organizations, the Director of the Ethics Office invited the JIU to attend the annual ENMO conference in July 2017, where the JIU presented a high-level review of their project and conducted a focus group with all ENMO attendees. Upon release of the JIU report in 2018, the office will review, from the perspective of UNDP, all JIU recommendations for strengthening protection-against-retaliation policies and practices across the United Nations system.

73. In both the public and private sectors, whistleblowing strengthens institutional accountability and bolsters the fight against fraud, corruption and gross mismanagement of resources. In pursuit of protecting the integrity and credibility of the organization, the Ethics Office continues to emphasize, in its interactions with UNDP business units and managers, the importance of fostering a speak-up culture and a workplace environment free of retaliation. The provision of information on the UNDP protection-against-retaliation policy remains a critical component of the office's training and awareness-raising activities.

IV. The Ethics Panel of the United Nations and the Ethics Network of Multilateral Organizations

74. The Ethics Office continued its active participation in the monthly meetings of the Ethics Panel of the United Nations (EPUN), which comprises the heads of ethics offices in the United Nations funds, programmes and specialized agencies, and is chaired by the Director of the United Nations Secretariat Ethics Office. Having significantly enhanced the ethics function in UNDP by introducing proactive ethics initiatives that, inter alia, draw upon private sector best practices, the Director of the Ethics Office has also brought that experience to EPUN and been a substantive contributor to EPUN discussions. As in prior years, the Director remains a candid advocate within EPUN for innovative and pragmatic ethics programmes that have effective, discernible impact on organizational culture and operations.

75. As reported, the Director arranged and chaired the annual meeting of the Ethics Network of Multilateral Organizations held in Rome, Italy, in July 2017. The Director was instrumental in providing direction and leadership to the group, which is composed of ethics officers from United Nations system entities, affiliated international organizations and international financial institutions. As Chair, the Director oversaw the adoption of fundamental reforms to ENMO working methods, as well as new membership criteria. As an indication of the success of the meeting and the Director's role, the Ethics Office has subsequently experienced an increased number of advice and guidance requests on myriad ethics matters from ENMO members, in part as reflected in the increase in advice inquiries in whistleblower protection matters.

V. Recommendations to management to strengthen the UNDP culture of integrity and compliance

76. In its decision 2011/24, the Executive Board called on the Ethics Office to issue recommendations to management on how to strengthen the culture of ethics, integrity and accountability in UNDP. Noting that all prior Ethics Office management recommendations have been successfully implemented, and that the organization's leadership continues to fully support the incorporation of ethics into UNDP business decisions and operations, the office has not issued any management recommendations for the 2017 reporting period.

VI. Conclusion

77. In vigorously pursuing its mandate to promote and consolidate a culture of ethics, integrity and accountability in UNDP, the Ethics Office continues to assess and strengthen its work in its core mandate areas. Since 2012, the office has remained committed to advancing a proactive and innovative ethics programme that incorporates best practices from the private and public sectors, and has real-world impact. The success of this pragmatic approach is evidenced in the fact that the office received a

record number of service requests in 2017, for the fifth consecutive year. Through its robust outreach and awareness-raising activities, the office has significantly raised the profile of the ethics function within the organization. Not only is the office viewed by staff and management as a trusted source of quality ethics services, but the office is increasingly consulted as a senior authority on ethics matters by other system ethics offices.

78. Through its broadbased activities, the Ethics Office constitutes an essential and independent advocate of ethical values and principled business performance. The office remains fully committed to further embedding ethics into the daily operations and business practices of the organization, and will continue to proactively promote an organizational environment committed to ethical conduct and institutional integrity.



**Executive Board of the
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Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

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4 to 7 September 2018, New York
Item 1 of the provisional agenda
Organizational matters

**Report of the annual session 2018
(4 to 8 June 2018, New York)**

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I. Organizational matters

1. The annual session 2018 of the Executive Board of UNDP, UNFPA and UNOPS was held at the United Nations headquarters in New York from 4 to 8 June 2018.
2. The Executive Board approved the agenda and workplan for its annual session 2018 (DP/2018/L.2), and approved the report of the first regular session 2018 (DP/2018/8).
3. Decisions adopted by the Executive Board at the annual session 2018 appeared in document DP/2018/18, which was available on the [Executive Board website](#).
4. The Executive Board agreed in decision 2018/15 to the following schedule for future sessions of the Executive Board in 2018:

Second regular session 2018: 4 to 7 September 2018.

UNDP segment

II. Statement by the Administrator and annual report of the Administrator

5. In his statement, the Administrator underscored that the Board meeting was taking place at a time of huge changes for the world and the United Nations. He focused on key UNDP areas of work and results achieved in 2017. He pointed to the global challenges the United Nations faced: (a) the fourth industrial revolution; (b) soaring inequality; (c) persistent poverty; (c) climate change; and (d) conflict, fragility and displacement. The 2030 Agenda for Sustainable Development and the Sustainable Development Goals were the framework that would guide the United Nations and UNDP through a complex terrain. UNDP would work with countries and partners using its expertise in governance and poverty eradication to map pathways toward sustainability. The Strategic Plan, 2018-2021, gave UNDP the mandate to operate through its signature solutions in response to country demand in collaboration with UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) through the common chapter. The Administrator presented his report on results for 2017 and progress on the Strategic Plan, 2018-2021 (DP/2018/10), the report of UNDP on the recommendations of the Joint Inspection Unit in 2017 (DP/2018/10/Add.1) and the statistical annex (DP/2018/10/Add.2).

6. UNDP had shown strong performance in 2017, with highest delivery on record, management efficiency improvements, an unqualified audit, top ranking on the Aid Transparency index, and a first among partners in value for money, according to Aid Data. Regular (core) funding nevertheless remained low along with continued imbalance with other (non-core) resources, at 13 to 87 per cent, which presented serious implications for its accountability to deliver and remain sustainable. Multi-year core contributions were therefore key. UNDP was undertaking initiatives to align its programme and business model to its strategic plan. That included simplifying and streamlining its business model; strengthening policy, programme, management and operations; revising its project management guidelines; setting up a new country investment facility for innovation; designing a new private sector strategy; and launching Project Catalyst, Project T, and the Global Islamic Finance Impact Investment Platform. South-South cooperation figured prominently in those initiatives and almost all country offices reported engaging in South-South and triangular cooperation. UNDP would continue to host and support the United Nations Office for South-South Cooperation (UNOSSC).

7. UNDP embraced the ambition of General Assembly resolution 72/279 on the repositioning the United Nations development system. After more than 40 years as custodian of the resident coordinator system, UNDP had set up a transition management team to facilitate the system's

transition from UNDP to the United Nations Secretariat, while ensuring uninterrupted momentum in delivery of its strategic plan. UNDP support to the resident coordinator system would remain substantial. Gender parity within UNDP was a top priority. Over half of UNDP staff were women, though that number dropped at senior management levels. Gender gaps persisted in terms of empowerment, advancement opportunities and general experience. UNDP had approved a new gender parity strategy, 20182021 that aimed to drive corporate cultural change through a comprehensive roadmap, in line with the System-wide Strategy on Gender Parity. The organization was committed to zero tolerance on sexual exploitation and abuse and sexual harassment, and to evaluation, audit, ethics, accountability and transparency.

8. Across the Board, members expressed strong support for the Administrator's leadership in guiding UNDP in implementing United Nations reform. They welcomed UNDP progress in 2017, commitment to resilience building, and proposed workplan for engagement with the Board. They showed strong support for General Assembly resolution 72/279, and looked forward to United Nations organizations proactively working together toward its implementation through integrated, system-wide delivery. At the centre of reforms was the need to focus on prevention, strengthening governance structures and taking a system-wide approach to sustaining peace and breaking the poverty cycle. UNDP had a key role to play in the United Nations Sustainable Development Group and the Secretary-General's transition team for the repositioning of the United Nations development system. UNDP should maintain a strong country presence in strengthening the revamped resident coordinator system. At the same time, the organization needed to focus on its own activities, based on its comparative advantages. There was a call for UNDP to be cautious in engaging in activities outside its mandate, especially in the areas of peace and security.

9. A group of delegations encouraged all United Nations organizations and UNDP to: (a) align strategic plans with resolution 72/279 and set plans for delivery; (b) make available full contributions to the expanded cost-sharing mechanism for the resident coordinator system; (c) devise a system-wide strategic document stipulating comparative and collaborative advantages and plans to strengthen system-wide results reporting through an independent evaluation unit; (d) review, at country level, the new approach's implications for the United Nations system, and report its potential impact on the UNDP business model to the Board; and (e) move rapidly toward common premises and common business operations. They underscored the importance of greater accountability and transparency.

10. Another group of delegations commended UNDP for its support to national policies and capacity building for the development and achievement of the Goals, in accordance with national ownership. They stressed that UNDP was at the core of the United Nations development system and would remain there. The 2030 Agenda required an integrated approach to sustainable development and collective action, with the overarching goal to eradicate poverty in all dimensions. UNDP had a key role to play in implementing the 2030 Agenda through its mandate and Strategic Plan, 20182021. UNDP should coordinate its development work with humanitarian and peacebuilding actors in a context-specific manner, in line with the 2016 quadrennial review and General Assembly resolution 72/279. The group underscored its strong support for South-South cooperation and role of UNOSSC.

11. A group of delegations drew attention to the challenges of the least developed countries (LDCs), which, despite accelerated development, remained vulnerable due to conflict, natural disasters and displacement. The group urged UNDP to target its programmes and skills in LDCs to priority areas set out in the Istanbul Programme of Action and through support to South-South cooperation, especially for poverty eradication and structural transformation of economies, and to support countries dragging in their implementation of certain Goals. Fully supportive of resolution 72/279, the group stressed it was critical for LDCs that United Nations development system repositioning did not disrupt development activities and coordination among United Nations organizations.

12. Delegations from the small island developing states (SIDS) called on UNDP to continue its support for the SIDS Accelerated Modalities of Action (SAMOA) Pathway to address countries' unique challenges and extreme vulnerability to climate change. South-South cooperation and UNDP support to UNOSSC had to play a central role in addressing SIDS development challenges. They reiterated their request in General Assembly resolution 71/243 for the Secretary-General to conduct a review of the configuration, capacity, resource needs and development services of multi-country offices that serviced SIDS. A condensed approach to the offices could result in cost savings to channel into programming.

13. Delegations across the board expressed serious concern over the continued core/non-core resource imbalance. They stressed the importance of predictable, multi-year, unearmarked funding to core resources to ensure UNDP was able to fulfil its mandate, and refused any trend toward normalizing non-core as the main funding base. They encouraged UNDP to continue to pursue incentives and mechanisms to broaden its donor base and explore innovative partnerships, building on its structured funding dialogue. A group of delegations appealed to Member States to meet their official development assistance commitments, and noted that the domestic mobilization of resources, when requested by programme countries, had to be additional to, and not a replacement for, ensuring adequate quantity and quality of funding. They stressed that a lack of core resources jeopardized United Nations reform. There was a call for continued Board discussions of cost recovery.

14. Board members welcomed UNDP actions to address sexual exploitation and abuse and sexual harassment in the workplace by revising its policy framework for greater reporting, accountability, prevention and awareness raising and by setting up a task force on sexual harassment. Delegations expressed strong support for the forthcoming UNDP gender equality strategy, 2018-2021, and for the human rights-based approach as integral to achieving sustainable development. Noting that UNDP had not presented a separate progress update on results for 2017, they reiterated the importance of yearly reporting to the Board on the implementation of the UNDP gender quality strategy, 2018-2021 moving forward.

15. In response, the Administrator highlighted that gender equality in UNDP was close to 50 per cent in 2018, and it continued to mainstream gender in programme and operations. The Administrator noted that UNDP had integrated gender reporting into his annual report, and confirmed that UNDP would submit its gender equality strategy, 2018-2021 at the second regular session 2018. UNDP remained committed to the SAMOA Pathway and assisting SIDS – UNDP had dedicated over \$200 million across fifteen thematic areas for SIDS priorities. UNDP was committed to implementing the common chapter of the strategic plans, and to reporting on progress to the Board. Attracting funding for core resources remained a challenge, due in part to the need to realign expectations of donor countries, United Nations organizations and programme countries and counter scepticism about development finance and multilateralism. As an integrator force for United Nations system-wide coherence, the MAPS approach was the primary vector for integrating the Goals in national development plans. UNDP was committed to ensuring a smooth transition in implementing resolution 72/279 and in delinking the resident coordinator system from UNDP. However, as per new governance rules under the reform, UNDP was no longer accountable for the resident coordinator system. On peace and prevention, UNDP did not encroach on Security Council mandated areas but was engaged in work grounded in its development mandate. UNDP continued to embrace its role as innovation and thought leader and sought to empower staff at country level to deliver innovative solutions.

16. The Director, Bureau for Policy and Programme Support, UNDP, highlighted that UNDP was aligning its policy functions to facilitate the transition from the Millennium Development Goals to the Sustainable Development Goals, and to adapt to the repositioning of the United Nations development system. Because countries with the greatest innovations had the highest level of programme delivery and development effectiveness, UNDP was working to leverage the

power of innovation and connect its 'atolls of excellences' on innovation to accelerate implementation of the Goals through its country-level Sustainable Development Goals platforms.

17. The Executive Board adopted decision 2018/5 on the report of the Administrator on results for 2017 and progress on the Strategic Plan, 2018-2021.

III. South-South cooperation

18. The Envoy of the Secretary-General on South-South Cooperation and Director, United Nations Office for South-South Cooperation, presented the strategic framework of the United Nations Office for South-South Cooperation (UNOSSC), 2018-2021 (DP/CF/SSC/6).

19. Board members welcomed the strategic framework and expressed strong support for South-South and triangular cooperation as crucial for the implementation and achievement of the 2030 Agenda and the Sustainable Development Goals. They underscored the central role of UNOSSC within the United Nations development system and among partners in advancing, coordinating and mainstreaming South-South and triangular cooperation in accordance with its mandate.

20. A group of delegations welcomed the framework's focus on using South-South and triangular cooperation to support Member States to eradicate poverty, reduce inequalities and build capacity. Noting that South-South cooperation helped to strengthen international cooperation to achieve the Goals, they stressed that South-South cooperation was not a substitute for but rather a complement to North-South cooperation. They appreciated that the framework reflected South-South principles, as laid out in the Nairobi outcome document of the High-level Committee on South-South Cooperation (A/RES/64/222), General Assembly resolutions and policy documents, and underlined that the countries of the South had to set the South-South agenda, in accordance with the principles of respect for national sovereignty, national ownership, equality, non-conditionality, non-interference in domestic affairs and mutual benefit. They appreciated that the framework supported and informed developing countries' national policy dialogue and enabled greater access to knowledge, best practices and development solutions. They called for the strengthening of UNOSSC to fulfil its mandate.

21. Another group of delegations highlighted that South-South cooperation helped to provide finance, create the enabling environment and develop multi-stakeholder partnerships to move financing of the Goals to higher levels. The Nairobi outcome document had highlighted that South-South and traditional development cooperation both sought to enhance development effectiveness by increasing mutual accountability and transparency, coordinating activities with development programmes, and embracing a multi-stakeholder approach that contributed to meeting national development challenges. The Goals provided the framework through which the two varieties of cooperation were to be brought together. The group highlighted that, as host, UNDP had protected the UNOSSC budget from austerity measures. They requested details on the status of UNOSSC budget, monitoring, evaluation and results reporting; the issuance of an annual report; UNOSSC audit and oversight functions; and alignment with UNDP transparency requirements. Recognizing UNOSSC efforts to address audit shortcomings and fundraising activities, the group underlined the importance for UNDP to exercise oversight and provide support to UNOSSC, and update the Board.

22. In response, the Director, UNOSSC, highlighted that the General Assembly and the High-level Committee had called on Member States to make extra-budgetary, in-kind contributions or secondments to UNOSSC. The Board had to determine when UNOSSC should report on its budget, monitoring and evaluation results; UNOSSC was committed to transparency and would issue its annual report for 2018 in 2019. UNOSSC was engaged with the UNDP Office for Audit and Investigations, had fully implemented its 16 recommendations, and was aligned with UNDP corporate practices in that area. The office worked with the UNDP Independent Evaluation Office and had implemented its evaluation plan of the previous cycle, 2014-2017; the office was in the

process of implementing the new evaluation plan, 2018-2021. He invited Board members to provide suggestions on UNOSSC evaluation results on its online portal. UNOSSC also reported to the General Assembly through the annual report of the Secretary-General, and to the High-level Committee on South-South Cooperation through the biennial report of the UNDP Administrator. UNOSSC had deepened its partnership with United Nations organizations, notably in designing a system-wide strategy and common platform on South-South cooperation. He looked forward to Member States' recommendations on strengthening UNOSSC at the 2019 Second High-level Conference on South-South Cooperation.

23. The Board took note of the strategic framework of the United Nations Office for South-South Cooperation, 2018-2021.

IV. Human Development Report

24. The Director, Human Development Report Office, provided the Board with an update on the *Human Development Report* consultations held in various fora in 2017 and 2018, in accordance with General Assembly resolution 57/264.

25. No Board members intervened to comment on this item.

26. The Executive Board took note of the update on the *Human Development Report* consultations.

V. Country programmes and related matters

27. The Associate Administrator, UNDP, provided an overview of the country programme documents (CPD) and the country programme extensions up for Board approval. In turn, the Deputy Director, Regional Bureau for Africa, presented the country programme documents for Kenya, Malawi and Rwanda.

28. The Board also considered the first one-year extensions of the country programmes for Kuwait, the Republic of the Congo and Sierra Leone, as well as the second one-year extension of the country programme for the Syrian Arab Republic.

29. Following discussions, the Executive Board approved, in accordance with its decision 2014/7, the country programme document for Kenya (DP/DCP/KEN/3), the country programme document for Malawi (DP/DCP/MWI/3) and the country programme document for Rwanda (DP/DCP/RWA/2).

30. The Executive Board took note of the first one-year extensions of the country programmes for Kuwait, the Republic of the Congo and Sierra Leone, as contained in document DP/2018/11.

31. The Executive Board approved the second one-year extension of the country programme for the Syrian Arab Republic, as contained in document DP/2018/11.

VI. Evaluation

32. The Director, Independent Evaluation Office (IEO), UNDP, presented the annual report on evaluation (DP/2018/12), and the Director, Bureau for Policy and Programme Support, UNDP, provided the status of implementation of the Independent Evaluation Office recommendations (DP/2018/12/Add.1).

33. A group of delegations welcomed the report and the comprehensive evaluation of the UNDP Strategic Plan, 2014-2017, and, while pleased with its many improvements, encouraged UNDP to go further. The group acknowledged the increased number of *decentralized evaluations* but expressed concern with their qualitative decline between 2016 and 2017. They requested that

UNDP and IEO improve the quality of decentralized evaluations. UNDP and IEO had to address recurring issues related to independent country programme evaluations, such as support for gender equality and monitoring and evaluation. They appreciated IEO success in covering 100 per cent of evaluations submitted. The group welcomed the comprehensive review of the implementation of *management response actions* from thematic and country programme evaluations, and acknowledged that most recommendations had a high management response rate – while noting that the actual implementation rate and reporting remained weak. They encouraged UNDP to engage with United Nations organizations whose performance was stronger. They requested details on what UNDP was doing to ensure accountability and transparency of implementation. The group welcomed the *increased resource allocations for IEO*, but, noting that funding for evaluations continued to lag behind the 1 per cent benchmark, requested that UNDP meet the target for a stronger evaluation function. The group welcomed efforts of the Deputy Secretary-General and IEO Director to work with the United Nations Evaluation Group to discuss the future of *system-wide evaluations*, and called on UNDP and IEO to support independent system-wide evaluation capacity. Similarly, they encouraged UNDP to engage with UNFPA, UNICEF and UN-Women toward a common multi-year evaluation plan, and sought information on plans for joint country portfolio evaluations.

34. In response, the Director, Bureau for Policy and Programme Support, UNDP, stressed that while it had not met the 1 per cent benchmark for evaluation funding, UNDP had invested in IEO and adhered to its 0.2 per cent of programme resources for IEO. UNDP would review the bottlenecks to evaluation funding and develop guidance for financial and human resource allocations to delineate evaluation costs and related expenses. The decreased quality of evaluations was the outcome of analysis of trends over a short time period; evaluations had actually increased in quality over the long term. UNDP had made significant strides in strengthening analytical capacities and was building its results architecture to allow the organization to use results for learning. To build its evaluation capacity and increase the number of evaluations, UNDP planned to conduct compliance implementation analyses, organize quarterly meetings with headquarters bureaux and improve oversight capacity. The organization would institutionalize annual midterm reviews and provide more training in planning and budgeting.

35. The Director, Independent Evaluation Office, UNDP, highlighted that IEO had been working with the Bureau for Policy and Programme Support to strengthen decentralized evaluation capacity. He pointed out that there was a direct relationship between clear leadership in management responses and a higher response rate overall. It was important for UNDP management to maintain pressure on offices to respond to evaluation recommendations. He underlined that the 0.2 per cent programming allocation to evaluation had had notable impact on evaluation coverage and numbers, without sacrificing quality. While difficult, joint evaluations were necessary, and IEO continued to engage with United Nations organizations' independent audit and oversight units. The audit units were closely engaged in devising evaluation guidelines for the Sustainable Development Goals, and beginning to collaborate on methods to evaluate the common chapter of the strategic plans, including on joint programmes.

36. The Executive Board adopted decision 2018/6 on UNDP evaluation.

VII. United Nations Capital Development Fund

37. The Associate Administrator, UNDP, introduced the item and the Executive Secretary, United Nations Capital Development Fund (UNCDF), presented the report on results achieved by UNCDF in 2017 (DP/2018/13).

38. Board members commended the Fund for its achievements in 2017 and highlighted its unique role within the United Nations development system in addressing the needs of least developed countries (LDCs). They encouraged the Fund to continue to work in places where other financing

sources were scarce or unavailable. They welcomed UNCDF results in 2017 in financial inclusion and local economic development, and focus on financing gaps and smooth transition of graduating countries. The LDCs in particular welcomed the Fund's crowding in of resources and use of a wider range of risk-sharing instruments and approaches. The demonstrated effects of that work set the path for others to follow in getting finance flowing to most vulnerable countries.

39. Delegations commended UNCDF for its consistent engagement with United Nations development organizations through joint programming. Efficient, effective, innovative in financing development, and ready to work with all stakeholders in public and private spheres, UNCDF was commended for being a model for United Nations reform. They encouraged other United Nations organizations to seek partnerships with the Fund when building expertise and instruments for innovative finance, given UNCDF comparative advantages in creating and deploying financial instruments to reach the poor and tackle inequality. They encouraged the Fund to share its expertise across the United Nations system and with partners.

40. Board members welcomed the Fund's partnerships focused on new, innovative blended financing mechanisms, including with non-traditional development actors. It would be crucial to drive large-scale investments towards sustainable development, including from private capital and domestic investors. The UNCDF LDC investment platform ensured financial additionality by mobilizing finance where it otherwise would not flow. There was a call for UNCDF to focus on core competencies in inclusive finance and local development by scaling up best practices and being judicious in investing in what worked best.

41. Delegations commended UNCDF for responding to 2017 midterm review recommendations, while encouraging it to address those that remained outstanding. They welcomed the Fund's engagement with the UNDP Independent Evaluation Office, its consistently unqualified audits, and improvements in monitoring and evaluation through its updated integrated results and recourse framework. They were pleased with the framework's annex, outlining a theory of change for supporting gender equality and women's economic empowerment.

42. Board members emphasized the importance of adequate funding for UNCDF to carry out its mandate for LDCs. They encouraged countries to consider contributing to the Fund's core resources. They stressed the need to attract private sector investment for sustainable development, since official development assistance – while essential – could not meet the needs of developing countries. It was crucial to devise accessible, diversified products to meet the needs of potential investors. UNCDF used donor funding to catalyse follow-on investments from domestic banks and private actors in poor countries and worked with the private sector to build sustainable business models that met the needs of the poor while building local government capacity.

43. In response, the Executive Secretary reiterated the Fund's commitment to share experiences with the wider United Nations development system and partners. UNCDF would remain active in the United Nations Sustainable Development Group's thematic results groups on strategic financing and strategic partnerships, which would serve as inter-agency platforms to exchange information and knowledge on innovative financing and public-private partnerships. The Fund looked forward to contributing to wider development work with UNDP and other partners in making the international financial architecture responsive to the needs of LDCs and in addressing the issue of missing middle finance. UNCDF continued to be engaged in evaluation, partnerships and knowledge sharing, and was committed to working with the Board. Innovation was key to the Fund's approach, as seen in how digital finance was at the heart of its efforts to expand access to financial services and its work with policymakers, regulators and service providers to ensure the digital ecosystem worked in the service of inclusion.

44. The Executive Board adopted decision 2018/7 on the report on results achieved by UNCDF in 2017.

VIII. United Nations Volunteers

45. The Associate Administrator, UNDP, introduced the item and the Executive Coordinator, United Nations Volunteers (UNV), presented UNV: Report of the Administrator (DP/2018/14).

46. Board members welcomed the report and final results of the UNV Strategic Framework, 2014-2017, recognizing its transparent overview of successes and challenges. UNV had an important role in United Nations reform by helping the United Nations development system localize the 2030 Agenda and the Sustainable Development Goals by building national capacities, strengthening local participation, promoting national and local ownership of development and increasing sustainability of development initiatives.

47. Delegations appreciated that UNV had, in its Strategic Framework, 2018-2021, adapted targets in response to trends in the numbers of UN-Volunteers, and were pleased to see the higher number of online UN-Volunteers. They welcomed the larger proportion of national to international UN-Volunteers in 2017, the balance between age and gender and the decision to focus on supporting national capacity development through volunteerism. The number of UN-Volunteers hailing from the South testified to the remarkable contribution UNV was making to South-South cooperation. They welcomed UNV work to support persons with disabilities, and partnership with UNDP to establish a joint talent programme for young professionals with disabilities, including through its United Nations Youth Volunteer modality. UNV had to uphold the highest standards of ethical and professional conduct, ensure measures to protect personnel and beneficiaries, and ensure zero tolerance on sexual exploitation and abuse and sexual harassment.

48. Board members commended UNV for improving transparency, accountability and efficiency in delivering institutional effectiveness through change management. They were pleased to see that efforts to institutionalize results-based management, including by reducing personnel and strengthening regional presence, was making UNV more efficient and fit for purpose. They acknowledged the UNDP Office of Audit and Investigations audit, evaluation of the previous strategic plan and transparent reporting to the Board. Delegations noted that some of targets on integrating volunteerism in national frameworks had not been met, and encouraged UNV to balance activities between mobilizing volunteers and supporting country-led volunteer schemes.

49. Delegations commended UNV for supporting United Nations organizations to deliver on their strategic plans through volunteerism. They welcomed the drive to improve volunteer solutions with United Nations system organizations and partners for the implementation of the Goals, including through South-South cooperation, and stressed the need to partner with the private sector and civil society.

50. Delegations expressed concern with the decline of financial contributions to UNV and appealed to countries, in a position to do so, to increase contributions to core resources. They welcomed UNDP investment in UNV and encouraged UNDP to deepen its engagement with the Board in UNV financial and investment discussions. They underscored the importance of the Special Voluntary Fund and called on countries to contribute.

51. In response, the Executive Coordinator highlighted that UNV strongly supported all pillars of the United Nations system, in particular peacekeeping and United Nations reform, through the high numbers of UN-Volunteers working in resident coordinator offices, which would likely expand with the passage of General Assembly resolution 72/279. UNV was closely engaged in discussions with the United Nations Sustainable Development Group to gauge where UNV and UN-Volunteers could fill gaps.

52. The Executive Board adopted decision 2018/8 on UNV: Report of the Administrator.

UNFPA segment

IX. Revised integrated budget, 2018-2021, including change management

53. The UNFPA Deputy Executive Director (Management) presented the draft revised integrated budget, 2018-2021, based on the results of the comprehensive resources review. In turn, the Chief, UNFPA Budget Section, gave a detailed presentation.

54. Board members welcomed the Fund's transparency in consultations on the budget and change management processes. They supported the Executive Director's restructuring vision as necessary to achieve financing aims, and encouraged donors to allocate contributions to UNFPA regular resources. They welcomed the stronger focus on field work and commitment to channel new funding to programming and to bolster efficiency and effectiveness. They welcomed UNFPA commitment to implementing resolution 72/279 on repositioning the United Nations development system, including cost sharing of a revamped resident coordinator system.

55. Delegations welcomed the use of separate budget lines to safeguard internal oversight, evaluation and United Nations reform, and the budget breakdown against the four outcome areas of the Strategic Plan. But stressed that output-level results were needed for Member States to understand how the Fund spent its resources against its mandate – crucial for engagement in the structured funding dialogue. Delegations were committed to ensuring full funding of the budget and resource alignment against agreed priorities. They sought details on expected results from the change management process, and underscored the need for analysis to assess potential consequences.

56. Other delegations: (a) welcomed proposed staff relocations to support UNFPA assistance in humanitarian settings; (b) urged the Fund to revisit its programme strategy and theory of change, and ensure results-based budgeting was used effectively; (c) encouraged UNFPA to increase its budget by 1 per cent for programmes, and sought details on the \$14 million investment on premises; (d) stressed the importance of balancing stronger field support with strong support to Member States in intergovernmental processes; (e) urged swift implementation of the Executive Director's restructuring vision as a means to depolarizing sexual and reproductive health and reproductive rights; (f) asked the Fund to show clear links between the budget and strategic plan outcomes; (g) encouraged UNFPA to engage with the Secretary-General's office on his proposed regional restructuring; and (h) stressed the need to reflect in the budget the repositioning of the resident coordinator system, and planning with United Nations organizations in dialogue with Member States.

57. In response, the Deputy Executive Director (Management) underlined that change management processes were driven to make UNFPA fit-for-purpose to deliver. While the Fund supported United Nations reform and would proactively implement resolution 72/279, many outcomes of the change management process and comprehensive resources review depended on implementation of those reforms, especially for regional, country team and resident coordinator system reconfigurations.

58. The Chief, Resource Planning and Budgeting, noted that the draft revised integrated budget (table 5) provided overall resources by strategic plan outcomes for development outcomes and for organizational effectiveness and efficiency outputs, including breakdowns between core and non-core resources. The budget did not include breakdowns by strategic plan outputs, though annual expenditures at outcome and output levels were included in the annual report of the Executive Director. The Fund had been very conservative in projecting income.

59. The Director, Division of Communications and Strategic Partnerships, noted that UNFPA had sought to be as conservative and realistic as possible in projections for non-core resources,

and reassured the Board of the Fund's capacity to raise non-core resources. He further noted that UNFPA was on the forefront of the structured funding dialogue and would present a formal proposal to the Board at the second regular session 2018, outlining a new funding architecture and identifying how funding funnelled into different outcomes and outputs for transformative results.

60. The Executive Board adopted decision 2018/9 on the draft revised UNFPA integrated budget, 2018-2021.

X. Statement by the Executive Director and annual report of the Executive Director

61. In her statement, the Executive Director highlighted how the targets set in the Strategic Plan, 2014-2017 for sexual and reproductive health services had had notable impact, especially in crisis settings. UNFPA had made steady progress in achieving the plan's targeted results in all regions, including towards universal access to sexual and reproductive health and reproductive rights. Progress was most visible in priority countries, except those in crisis, and especially in least developed countries, which received most of the programme budget. She highlighted significant declines in maternal mortality, adolescent childbearing and child marriage, progress in satisfying unmet need for family planning, achieving results for adolescents and youth, changing social and culture attitudes for gender equality, and seizing the power of data and analysis for national development plans. She presented the annual report of the Executive Director: cumulative review of the UNFPA Strategic Plan, 2014-2017 (DP/FPA/2018/4, Part I), the statistical and financial review, 2017 (DP/FPA/2014/4, Part I, Add.1) and the report on the recommendations of the Joint Inspection Unit in 2017 (DP/FPA/2018/4, Part II).

62. The Executive Director underscored the role partnerships with all stakeholders had played in driving achievements, along with efforts to build a UNFPA that was responsive, efficient, effective and innovative. Challenges nevertheless remained. Building on lessons, UNFPA was implementing the Strategic Plan, 2018-2021 by investing in an integrated programme support initiative and strong evaluation function. The Fund was using the three transformative results of the strategic plan to drive partnerships, advocacy and resource mobilization, and intensifying funding dialogue. She encouraged Member States to make early, multi-year core resource contributions to enable better planning and ensure lasting, sustainable results. The Fund hoped to reach 150 contributors to core funding in 2018. She drew attention to the Fund's launching of the Humanitarian Action Thematic Fund to bolster its work in crisis situations. She highlighted UNFPA work to advance young people's health, well-being and rights, and commitment to co-lead the United Nations system-wide initiative on youth, peace and security and the Compact for Young People in Humanitarian Action.

63. On General Assembly resolution 72/279 on repositioning the United Nations development system, the Executive Director stressed the Fund's ongoing strategic repositioning regarding how it was supporting intergovernmental and multilateral processes, which would result in the realigning of UNFPA structures, and a strengthening of linkages between intergovernmental processes and programme delivery in the field. She noted that the changes would see the transfer of the Executive Board Branch to the Office of the Executive Director. UNFPA would implement those changes by September 2018, and update the Board at the second regular session 2018. She underscored that the comprehensive resources review was an optimization exercise and fundamentally about making UNFPA more fit for purpose. She also underscored the UNFPA commitment to preventing sexual exploitation and abuse through zero tolerance and defending sexual and reproductive health and reproductive rights. UNFPA would engage with the United Nations regional economic commissions and partners in the 2018 ICPD reviews, which would feed into the report of the Secretary-General for Commission on Population and Development in 2019, and contribute to the High-level Political Forum on Sustainable Development in late 2019.

64. Across the Board, members showed strong support for the Fund's mandate and welcomed evidence showing its contribution to the 2030 Agenda, especially for women and girls, and in improving access to sexual and reproductive health and reproductive rights. They drew attention to progress against the three transformative goals of the Strategic Plan, 2018-2021. They expressed appreciation for the Fund's close engagement with the Board to make the Fund fit for purpose to deliver on the Goals and 2030 Agenda, which they stressed could not succeed without the Fund's role driving forward ICPD principles. Delegations underscored the importance of the Fund's role in fostering social, cultural and behavioural changes for gender equality and women's empowerment, and updating the UNFPA Strategic Framework on Gender Mainstreaming and Women's Empowerment. Delegations showed strong support for the Fund's focus on youth as agents of change and commitment to the United Nations youth agenda. Other delegations requested that UNFPA give special attention to the unique demographic needs of ageing societies. Overall, delegations supported strengthening the Fund's role in humanitarian and crisis situations, especially to address gender-based violence and violence against women, and in bolstering the humanitarian-development-peace nexus; others cautioned that diverting development funds for humanitarian crises could become an impediment to ICPD progress in least developed countries.

65. The Board encouraged UNFPA to proactively engage and give full support to implementing General Assembly resolution 72/279, and to a system-wide coordinated, coherent approach, as laid out per the 2016 quadrennial comprehensive policy review. That included the Fund's full support and contribution to the cost-sharing of a reinvigorated resident coordinator system, building on agreements established in the common chapter of the strategic plans of UNDP, UNFPA, UNICEF and UN-Women. In that regard, they encouraged UNFPA to fully implement Joint Inspection Unit recommendations.

66. A group of delegations encouraged UNFPA and the four United Nations organizations to align implementation of their strategic plans, 2018-2021 to United Nations reform, in particular outcomes specified in General Assembly resolution 72/279, and to share implementation plans with the Board. They requested that the organizations make available in full their contributions to the cost-sharing mechanism to fund the reinvigorated resident coordinator system. They called on the organizations to work together on a strong system-wide strategic document that stipulated comparative and collaborative advantages, and included plans to strengthen system-wide result reporting through the creation of a system-wide independent evaluation unit. At country level, the group called on the Fund to review implications of the new resident coordinator system set-up and to report to the Board how it would impact the UNFPA business model and delivery against its transformative results. They urged the organizations to move towards common premises and common business operations.

67. Many delegations stressed that achievement of the 2030 Agenda required a strong focus on gender equality, the rights of women and girls, and a human rights-based approach. On a related topic, delegations urged UNFPA and United Nations organizations to fully implement the zero tolerance policy on sexual abuse and exploitation and sexual harassment. Other delegations urged UNFPA, in its programming and operations, to operate in accordance with accepted United Nations values and the principle of national ownership. One delegation, while supporting UNFPA provision of informed and voluntary family planning and maternal and newborn health care, stated its opposition to any programme of coercive abortion or involuntary sterilization.

68. Board members welcomed consultations on the revised integrated budget, 2014-2017, change management process, and comprehensive resources review. Some delegations expressed concern about consequences of not meeting resource targets; others felt the proposal required more serious reflection before reaching a decision. Delegations noted the Fund's decision to reposition units and staff within the organization, including shifts to the field, but requested details on what the efficiency gains would be, and expressed concern about the potential negative effects which that and similar moves might have on its mandate delivery. There were calls for UNFPA to do more

on norm setting and to concentrate on its normative function at the headquarters level, though one delegation sought clarity on how UNFPA could pursue its normative function in light of cuts planned in the comprehensive resources review.

69. Board members expressed serious concern with the continued decline in core resources and its potential impact on the Fund's ability to deliver on its mandate. They commended UNFPA efforts to address the imbalance between core and non-core resources, and stressed the need for UNFPA to continue to pursue strong partnerships, including with the private sector, civil society, and through public-private partnerships, and to explore innovative means through which to mobilize resources.

70. Delegations stressed the importance of continued UNFPA investment in and building of its results-based management, monitoring, evaluation, reporting, accountability and transparency capacities, including through better availability of data. On the annual report, they sought deeper analysis on why some indicators had not been reached, and requested that future reports include how UNFPA was strengthening leadership and internal management at country level. They welcomed the Fund's innovative demographic data collection and analysis work and encouraged it to invest in and explore innovative development solutions, especially in data and analysis.

71. In response, the UNFPA Executive Director affirmed that UNFPA worked to create a world where every pregnancy was wanted, every childbirth safe and every young person's potential fulfilled. The Fund's youth work focused on humanitarian, peace and development dimensions, in the knowledge that subsequent generations would form part of the decision-making structure. UNFPA was focused on change management and reform to make it fit for purpose to deliver on the 2030 Agenda and ensure a differentiated response to country contexts, building on data, analysis, monitoring, evaluation, reporting and power of persuasion. The Executive Director reiterated that change management was an ongoing process, in which UNFPA was pursuing a phased implementation that allowed it to simultaneously delivery on its ICPD mandate. The revised integrated budget had benefitted from the consultation process, and would continue to develop in light of the repositioning of the United Nations development system. Partnerships were crucial and UNFPA had revitalized its global advisory council composed of over 20 stakeholders from civil society, academia, the private sector and United Nations entities to advise the Fund. To ensure successful implementation of its mandate, UNFPA pursued prudent resource management worked to attract resources to make a difference.

72. The UNFPA Deputy Executive Director (Programme) explained that the reasons for the rise in HIV infections among adolescent girls in southern Africa were social norms and gender inequality. In response, UNFPA focused on sexual education, prevention, balancing prevention and treatment, and taking an integrated approach to tackling new infections. The Fund was engaged in setting the agenda, preparing best practice papers and assisting countries focused on prevention in anticipation of the International Conference on HIV/AIDS.

73. The Director, UNFPA Division of Communications and Strategic Partnerships underlined UNFPA concern about decline in core resources. Building on the structured funding dialogue, UNFPA pursued predictable, multi-year funding for core. The Fund sought to strengthen its ability to attract core resources, including transparency on use of donor funding and using different tools such as country programme documents, streamlined architecture for resource mobilization, individual giving, and private sector and international financial institution contributions. He assured the Board that the \$25 million a year increase in non-core was done after thorough review of its income projections. By mid-2018, UNFPA had recorded \$430 million in non-core. Early, multi-year payments were crucial for stability and viability.

74. The UNFPA Deputy Executive Director (Management) reiterated the Fund's commitment to zero tolerance on sexual exploitation and abuse and sexual harassment, focused on prevention and detection, and support to victims. The proposed investment in that area in the revised integrated budget was UNFPA-focused and not intended to be system-wide. UNFPA accorded great

importance to accountability and worked with the Joint Inspection Unit, and was committed to United Nations reform, which was reflected in the change management and comprehensive resources review and integrated in programming and operations with United Nations development organizations.

75. The Director, UNFPA Programme Division highlighted that 70 per cent of UNFPA country office presence was integrated with other United Nations organizations' offices, with UNFPA representation often assumed by UNDP resident representatives. The reform priority was to work through the new UNDAF structure and revamped resident coordinator system, while identifying accelerators for the Goals through a human rights-based approach – so that sexual and reproductive health received the attention it deserved. The common chapter was a precursor to resolution 72/279, which included gender mainstreaming as a key element, as did the Strategic Plan, 2018-2021.

76. The Executive Board adopted decision 2018/10 on the annual report of the Executive Director.

XI. UNFPA country programmes and related matters

77. The Regional Director, East and Southern Africa, UNFPA introduced the item and presented the country programme documents for Kenya and Rwanda. Also up for discussion was the second one-year extension of the country programme for the Syrian Arab Republic, as well as the first one-year extension of the country programme document for Cuba.

78. The Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Kenya (DP/FPA/CPD/KEN/9).

79. The Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Rwanda (DP/FPA/CPD/RWA/8).

80. The Executive Board approved the second one-year extension of the country programme for the Syrian Arab Republic, and took note of the first one-year extension of the country programme for Cuba as contained in document DP/FPA/2018/3.

XII. Evaluation

81. The Director, UNFPA Evaluation Office, introduced the annual report of the Evaluation Office for 2017 (DP/FPA/2018/5) and the UNFPA Deputy Executive Director (Programme) provided the management update on the evaluation function in UNDP, including the implementation of the evaluation recommendations (DP/FPA/2018/CRP.3).

82. In the sole intervention, a group of delegations welcomed the breadth of the report, its summary of reviews and reports, and its annual assessment of performance. They focused on six elements: (a) review of the evaluation function; (b) performance of the evaluation function; (c) evaluation as learning; (d) resource allocation; (e) meta-analysis of UNFPA engagement in highly vulnerable contexts; and (f) joint functions.

83. *Review of the evaluation function.* The delegations welcomed that the evaluation function had gained in maturity and expertise and was functioning independently. They noted the need for increased coordinated interaction between the Evaluation Office, regional offices and the Programme Division throughout the evaluation planning and management process, and looked forward to receiving the revised evaluation policy.

84. *Performance of the evaluation function.* The delegations expressed appreciation for the improved quality of evaluations but reiterated their concern about the coverage of decentralized evaluations. They urged the Evaluation Office and the Programme Division to continue to work

together to ensure planning was realistic and that resources were prioritized for evaluations at the country level once an evaluation was planned. They welcomed the development of a new action plan on internal evaluation capacity development and looked forward to feedback on the impact obtained once available.

85. *Evaluation as learning.* The delegations were pleased that the report included examples of how UNFPA policy and practice had changed as a result of the implementation of evaluation recommendations. They stressed that systematic, thorough implementation of management actions recommended by evaluations was key to ensure that evaluation findings would lead to learning and better results on the ground. They welcomed the Management Response Tracking System and urged UNFPA to continue to shift the focus from proving to improving results.

86. *Resource allocation.* The delegations underlined the need to allocate sufficient resources to the evaluation function and welcomed the Fund's plan to increase resources for evaluation in 2018, despite the funding drop in 2017. They stressed the importance of the 3 per cent target (as opposed to the existing 0.83 per cent) established by the revised evaluation policy to guide management when allocating funding. They regretted that country-level evaluations were directly impacted by austerity measures in 2017, and urged the Evaluation Office to work with UNFPA management to minimize the likelihood of any recurrence in future.

87. *Meta-analysis of UNFPA engagement in highly vulnerable contexts.* The delegations were pleased with the lessons learned in 25 humanitarian countries, particularly the need for a stronger focus on preparedness to manage humanitarian needs. They supported the call to ensure the UNFPA office structure accurately reflected humanitarian needs within the scope of the Strategic Plan, 2018-2021, and looked forward to hearing how UNFPA intended to follow up on the conclusions and suggestions of the meta-analysis and how it would improve its humanitarian engagement.

88. *Joint function.* The delegations welcomed UNFPA engagement in independent system-wide evaluations and in the United Nations Evaluation Group (UNEG), including through the United Nations System-wide Action Plan, and encouraged the Evaluation Office to continue its engagement. They reiterated the importance of integrating gender equality in evaluation reports and undertaking joint evaluations, including on the common chapter of the strategic plans of UNDP, UNFPA, UNICEF and UN-Women. They also sought information on plans for joint country portfolio evaluations at country level.

89. In response, the Director, UNFPA Evaluation Office reconfirmed the commitment of the Evaluation Office to work with the Programme Division, the Division of Human Resources and regional offices to improve evaluation implementation rates and coverage. It had begun to strengthen cooperation and was seeing improved implementation rates, which would be reflected in the 2018 annual report. The office was committed to working with United Nations organizations' evaluation offices. UNDP, UNFPA, UNICEF and UN-Women had begun collaborating on conducting a joint evaluation of the common chapter. The office was engaged with UNEG and Inter-agency Humanitarian Evaluation Group, and a number of joint evaluations were scheduled under the quadrennial budgeted evaluation plan, 2018-2021. The office was planning joint UNDAF evaluations and conducting country programme evaluations for groupings of small country offices. The Evaluation Office was pursuing a consultative process with different stakeholders to revise the evaluation policy.

90. The UNFPA Deputy Executive Director (Programme) pointed out that the Board decision to allocate 3 per cent of core resources for evaluation had come at a time when the Fund's core constituted two thirds of funding. That ratio had dropped to one third. As part of the revision to the evaluation policy and to ensure evaluation funding, it was necessary to allocate 3 per cent from non-core resources as well. The number of evaluations and resources for evaluations had both increased, despite austerity, because UNFPA had safeguarded the evaluation budget. To

continue safeguarding the evaluation function, UNFPA was implementing a 'ring fencing mechanism' to ensure country offices had access to funding for evaluation.

91. The Executive Board adopted decision 2018/11 on UNFPA evaluation.

UNOPS segment

XIII. Statement by the Executive Director and annual report of the Executive Director

92. In her address, the Executive Director stated that 2017 had been a record year. A growing number of governments requested UNOPS services and delivery increased more than 25 per cent. UNOPS continued to focus on local and community levels, often in emergency and humanitarian settings. In presenting her annual report (DP/OPS/2018/2), she focused on the operations, infrastructure, procurement, shared services and challenges. In 2017, UNOPS had continued operational work in humanitarian settings to rebuild infrastructure and use green energy. UNOPS used its expertise to address broader social concerns related to culture, environment and economic status to build safer, more stable communities. In delivering resilient, sustainable infrastructure, UNOPS invested in industry standards, international best practices, and people processes and approaches. United Nations development system organizations were more efficient and effective when working with UNOPS.

93. The Executive Director underscored the importance of making best use of resources for successful implementation of the Sustainable Development Goals. The majority of UNOPS delivery in 2017 came through procurement, more than half of which went to local suppliers. The focus was to encourage national public procurement models that were sustainable, more efficient, transparent, and had value for money. UNOPS provided management support services to United Nations organizations and hosted the United Nations global marketplace. UNOPS was committed to implementing General Assembly resolution 72/279 on repositioning the United Nations development system, using its comparative advantages to drive cost efficiency and innovation. She highlighted that because cost sharing of the resident coordinator system would negatively affect UNOPS cost-efficiency, it would have to transfer added costs to its partners. Likewise, the organization's light country presence was part of its business model; any changes to adapt to reform could impact cost efficiency and delivery. UNOPS would proceed with caution and, under Board guidance, revert to investing surplus income to meet new demands.

94. Board members commended UNOPS results against its Strategic Plan, 2014-2017, and the continued growth in service demand. They welcomed the report's alignment with the Global Reporting Initiative and comprehensive overview of operations in infrastructure, project management and procurement. They reiterated their strong support to UNOPS social impact investment initiative, including large-scale investments in sustainable resilient infrastructure (focused on renewable energy and affordable housing) and promotion of global innovation, through block chain and artificial intelligence technology.

95. Delegations appreciated UNOPS unique role within the United Nations development system as the only self-financing organization, and stressed it had a central role optimizing use of resources in United Nations organizations. They encouraged UNOPS to strengthen its cooperation with United Nations organizations, especially in procurement and infrastructure. They expected UNOPS to work with United Nations organizations to implement resolution 72/279, and requested concrete plans on how. Delegations urged UNOPS, as the largest United Nations procurement organization, to lead reform targets to harmonize country team back office functions by 2022 and scale up business operation strategies. They encouraged the Executive Director to engage with the Secretary-General on the potential negative impact of United Nations reform on UNOPS.

96. Board members welcomed progress made in gender equality in recruitment, and encouraged UNOPS to secure gender balance among employees, and focus on gender equality and women's empowerment in all projects. They suggested that UNOPS include reporting on targets for securing equal access for persons with disability and minority groups. They encouraged UNOPS to report on responsible business conduct in line with United Nations Guiding Principles for Business and Human Rights, and include information on how it managed risks, including assessing conflict sensitivity and potential negative impacts for vulnerable groups. Delegations strongly supported UNOPS zero tolerance policy on sexual exploitation and abuse and sexual harassment, and underscored the need to focus on implementing institutional and cultural changes, and ensuring a system-wide, coherent United Nations approach.

97. A group of delegations welcomed the expansion of UNOPS operations in the small island developing states (SIDS). UNOPS large-scale regional coverage helped to boost production capacity and raise the level of service in SIDS and developing countries, which had a direct impact on poverty reduction and sustainable development and implementation of the 2030 Agenda. They expressed strong support for UNOPS stable finances, transparent mandate and sharing of best practices in operational efficiency and effectiveness.

98. In response, the Executive Director stressed that United Nations reform would be at the centre of UNOPS work, and it would explore ways to translate the negative effects of reform into positives. Its cost efficiency, effectiveness, transparency and strong record of delivery would help determine how it could contribute to reform. The organization would continue to report to the Board in line with the Global Reporting Initiative and seek ways to conduct joint reporting with United Nations organizations. UNOPS was committed to gender parity and had devised a gender mainstreaming policy for project implementation. It was engaged with partners to explore how to expand its funding sources, including through the social impact investing initiative and its concept for innovation centres to delivery innovation. Youth were at the heart of the UNOPS mandate and it would continue to drive youth as agents of change. UNOPS would continue to work with partners to ensure public procurement was transparent, competitive and innovative for greater cost efficiency and impact.

99. The Executive Board adopted decision 2018/12 on the annual report of the UNOPS Executive Director.

Joint segment

XV. Internal audit and oversight

100. The Director, Office of Audit and Investigations (OAI), UNDP, presented the report on internal audit and investigations (DP/2018/15), and the Director, Bureau for Management Services, UNDP, provided the management response. The Director, Office of Audit and Investigations Services (OAIS), UNFPA, presented the report on the UNFPA internal audit and investigations activities in 2017 (DP/FPA/2018/6), the opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control (DP/FPA/2018/6/Add.1) and mentioned the annual report of the Audit Advisory Committee (DP/FPA/2018/Add.2); the UNFPA Deputy Executive Director (Management) provided the management response (DP/FPA/2018/6/CRP.5). The Director, Internal Audit and Investigations Group, UNOPS, presented the activity report for 2017 of the Internal Audit and Investigations Group (DP/OPS/2018/3) and the Legal Counsel, UNOPS, provided the management response.

UNDP

101. A group of delegations welcomed the 'satisfactory' opinion for governance, risk and control, and commended UNDP for its progress. They encouraged OAI to elaborate on the rationale for

opinions and include reporting against performance indicators and the comprehensive risk assessment. They were pleased the third external quality assurance review for internal audit 2017 had assigned a 'generally conforms' rating to internal audit activities, which attested to OAI professionalism and standards. They welcomed insights of external quality assurance reviews and encouraged OAI to report against their recommendations. They appreciated OAI work on inter-agency audits, and keen to learn how such system-wide work could be organized more efficiently.

102. The group commended UNDP management for its high implementation rate of audit recommendations and reducing the number of long outstanding recommendations. They urged management to pay attention to 'high priority' recommendations and prioritize recurring issues on programme and project management, the harmonized approach to cash transfers (HACT), implementing partner management, procurement, and governance and financial management. The group sought details on how UNDP management supported implementation of new standards for quality programming; looked forward to evidence of procurement improvements in future reports; and requested information on the degree of compliance with assessments and assurance requirements under HACT. The group welcomed the structure of regular audits for UNDP investments in affiliated organizations and called on UNDP to engage with the Board on timing and placement of audits for UNCDF, UNV and UNOSSC.

103. The group sought OAI's views on the caseload's significance for UNDP effectiveness in preventing, detecting and responding to fraud – in particular steps UNDP had taken to develop a comprehensive fraud strategy. They were keen to learn about challenges and strategies to recover funds and speed up reclaim processes. They requested that the 2018 report include a chart mapping out comparative year-to-year information indicating where losses incurred in one year had been recovered in a subsequent year. The group sought details on use and effectiveness of hotlines and mechanisms for reporting complaints, especially on human rights abuses, sexual exploitation and harassment, environmentally damaging impact of programmes, and OAI's view on use and effectiveness of such mechanisms.

104. In response, the Director, Office of Audit and Investigations confirmed that OAI was prepared to provide detailed reporting and to work with United Nations system organizations' audit offices to invest in and improve audit work. He underscored the usefulness of relying more heavily on the cross-reliance paradigm for joint audits, which reduced scope and created a comprehensive platform for risk assessments and controls. OAI had detected no systemic control breakdown in UNDP in 2017. Despite the number of 'partially satisfactory with some improvements needed' audit ratings, the total portfolio for 2017 was promising, with room for improvement in governance risk management and controls. Lack of OAI visibility was a possible cause of potential underreporting on sexual exploitation and abuse and sexual harassment in UNDP; OAI was working with management to expand and strengthen reporting and response services.

105. The Director, Bureau for Management Services, UNDP, confirmed that UNDP had annual audit plans for UNCDF, UNV and UNOSSC, for which UNDP would present information in future. On fraud prevention and fund recovery, UNDP had established in 2016 an inter-bureau standing board on recovery and in 2017 a written self-attestation by heads of country offices that they had met controls on fraud prevention. The 2017 consolidated code of ethics provided clear guidance on ethics and included mandatory ethics training. UNDP was developing anti-fraud materials whose release was planned for 2017. UNDP had introduced measures ensuring transactions took place at offsite centralized levels to avoid conflicts of interest at country level. She highlighted that there was over 90 per cent coverage rate of HACT. UNDP had set up an anonymous reporting system on sexual exploitation and harassment to address potential underreporting and included a contracted hotline for reporting and counselling services.

UNFPA

106. A group of delegations welcomed the reports and management responses, and noted the OAS opinion of 'some improvement needed' with regard to the adequacy and effectiveness of UNFPA governance, risk management and internal control processes. They found the accompanying rationale on key risk areas useful, and urged UNFPA management to make progress in areas identified as needing improvement – the integrated control framework, enterprise risk management, organizational structure and staffing, headquarters and regional office support and oversight, programme management and operations management. Progress in those areas, they stressed, would help to reduce recurring audit recommendations.

107. The group encouraged UNFPA management to continue reducing the number of audit recommendations outstanding for more than 18 months. They sought details on challenges in implementing recommendations in a timely manner, and encouraged management to address the challenges of delayed management responses to enable finalizing audit reports faster. They welcomed that UNFPA management continued protecting OAS from austerity measures, but were concerned with the reporting mismatch between resources provided and OAS needs, including resulting risk. Noting that OAS had been unable to meet scheduled audit cycles, they requested that OAS articulate the level and nature of financial and other resources it required to fulfil its mandate. They urged UNFPA management to ensure that OAS was sufficiently resourced to deliver, including adequate audit coverage and efficiently handling its investigation caseload, and encouraged OAS in future to include key performance indicators.

108. The group welcomed OAS progress in transparency and responsiveness, and noted that fraud and financial irregularities were the largest caseload. They sought OAS views on what the caseload indicated about effectiveness of the approach to preventing, detecting and responding to fraud. They requested management updates on pending cases before the disciplinary bodies and details in future reports and management responses on the slow pace of recovery of losses. They encouraged OAS to continue supporting UNFPA management and inter-agency initiatives to address sexual exploitation and sexual harassment.

109. In response, the Director, Office of Audit and Investigations Services, UNFPA, confirmed OAS would articulate its resource needs and report against performance indicators in future. Regarding recommendations outstanding for more than 18 months, OAS had been reviewing them, noting that the information and communication (ICT) transformation affected many of them. Delays in finalizing audits often resulted from cross-cutting issues that required coordination among different units. In 2017, the detection of many fraud cases had come via tips or through HACT audits. She stressed that the ICT transformation should enable better detection by analysing data in a more automated way. OAS would continue to engage in interagency work, despite inherent challenges in undertaking joint audits, including deciding when they were pertinent or not.

110. The UNFPA Deputy Executive Director (Management) stated that the main challenge of recurring audit recommendations was they often dealt with compound complex issues. UNFPA had addressed many of them and would resolve remaining recommendations through ICT transformation, supply chain management policies, and revisions to programming processes. UNFPA welcomed innovative OAS approaches to conducting audits, noted the impact of risk tolerance levels, and drew attention to the additional resources allocated in 2018 to address the outstanding cases before disciplinary bodies.

111. The Executive Board adopted decision 2018/13 on the reports of UNDP, UNFPA and UNOPS on internal audit and investigations and management responses.

XVI. Reports of the UNDP, UNFPA and UNOPS ethics offices

112. The Director, Ethics Office, UNDP, presented the activities of the UNDP Ethics Office in 2017 (DP/2018/16) and the Director, Bureau for Management Services, UNDP, provided the

management response. The Director, Ethics Office, UNFPA, presented the UNFPA report of the Ethics Office 2017 (DP/FPA/2018/7) and the UNFPA Deputy Executive Director (Management) provided the management response. The Legal Counsel, UNOPS, presented the activities of the UNOPS Ethics Office in 2017 (DP/OPS/2018/4) as well as the management response.

113. No delegation intervened to comment on the reports of the ethics offices of UNDP, UNFPA and UNOPS.

114. The Executive Board adopted decision 2018/14 on the reports of the ethics offices of UNDP, UNFPA and UNOPS.



**Executive Board of the
United Nations Development
Programme, the United Nations
Population Fund and the
United Nations Office for
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Organizational matters

**Decisions adopted by the Executive Board at its annual session
2018**

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(4 to 8 June 2018, New York)**

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2018/5

Report of the UNDP Administrator on results for 2017 and progress on the Strategic Plan, 2018-2021

The Executive Board

1. *Takes note* of the achievements made by UNDP in 2017, the cumulative performance of UNDP for the period 2014-2017 and progress made on the implementation of the Strategic Plan, 2018-2021 (DP/2018/10);
2. *Urges* UNDP to utilize lessons learned from the Strategic Plan, 2014-2017 in the implementation of the Strategic Plan, 2018-2021 to meet the annual milestones and targets set out in the integrated results and resources framework (IRRF) for all development and institutional effectiveness outputs;
3. *Recognizes and welcomes* the progress in populating the IRRF for the Strategic Plan, 2018-2021 and requests UNDP to continue to refine and improve the IRRF as it continues to implement its Strategic Plan;
4. *Recognizes* the inter-agency efforts being made to advance the common chapter and requests UNDP to continue consultations with United Nations funds and programmes on the harmonized format for common chapter reporting;
5. *Welcomes* the mentioning of the common chapter in the annual report and asks UNDP to report on the status of the implementation of the common chapter, starting with the annual report 2019, and to present the findings at the joint meeting of the Executive Boards and at the annual session;
6. *Recognizes and welcomes* the strategic engagement and financial contribution of UNDP to the United Nations Capital Development Fund (UNCDF), United Nations Volunteers programme (UNV) and United Nations Office for South-South Cooperation (UNOSSC), and requests the Administrator of UNDP, in case of the need for additional information, to provide annual updates to reflect the results achieved by these contributions in an annex to the annual report, to ensure that the UNDP Office of Audit and Investigations and Independent Evaluation Office include UNCDF, UNV and UNOSSC in their workplans and to provide an update to the Board on progress by the second regular session 2018 to help inform deliberations;
7. *Expresses appreciation* to UNDP for its longstanding and strong commitment and support to the resident coordinator system and back-office support to United Nations country teams, and acknowledges the importance of UNDP country support platforms and support to countries in their efforts to realize the 2030 Agenda for Sustainable Development;
8. *Requests* UNDP to continue to engage with the Secretary-General, other United Nations development system (UNDS) entities and Member States with a view to support full implementation of General Assembly resolutions 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and 72/279 of 31 May 2018 on the repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system, including its contribution to a smooth transition and business continuity of the resident coordinator system;

9. *Requests* UNDP, as a UNDS entity, to engage closely with the Secretary-General and Member States to support preparation of a well-thought-out implementation plan for the inception of the reinvigorated resident coordinator system, including on the operationalization of its funding arrangements, to be presented to the General Assembly;

10. *Also requests* UNDP to present a preliminary analysis of the financial and other implications of resolution 72/279 for UNDP to the Executive Board at the second regular session 2018;

11. *Further requests* UNDP, in accordance with resolution 72/279, to provide its contribution to the adequate, predictable and sustainable funding of the resident coordinator system, in line with the forthcoming implementation plan for the inception of the reinvigorated resident coordinator system to be presented to the General Assembly, on an annual basis starting 1 January 2019;

12. *Welcomes with appreciation* the engagement with the Executive Board on the implementation of the Strategic Plan, 2018-2021, and requests UNDP to continue dialogue with the Executive Board that UNDP continue to update its working plan of engagement in response to the implementation of resolution 72/279;

13. *Recalls* decision 2017/20 on UNDP structured funding dialogues in which UNDP was asked to present a proposal to the Board at the second regular session 2018 on how to improve the functioning of the dialogues;

14. *Encourages* UNDP to allow for increased interactivity with Member States by beginning preparations for the structured funding dialogues early and by providing the Board with a detailed overview with resources linked to outputs in the integrated results and resources framework, 2018-2021 as well as an overview of funding gaps in relation to the implementation of the Strategic Plan, 2018-2021, taking into account both regular and other resources;

15. *Notes* that UNDP did not report on progress against the gender equality strategy for 2017 as in previous years, looks forward to the gender equality strategy presentation at the second regular session 2018 and expects thereafter that yearly reporting on progress against the gender equality strategy will resume in the annual session.

16. *Welcomes* the Administrator's commitment to implementing resolutions 71/243 and 72/279 and in this regard encourages the secretariat of the UNDP/UNFPA/UNOPS Executive Board to work together with the secretariats of the UNICEF and UN-Women Executive Boards to produce a joint response to the 2018 joint meeting of the Executive Boards segment on working methods by no later than four weeks before the second regular session 2018, allowing for a consultation process among Member States ahead of that session.

8 June 2018

2018/6 UNDP evaluation

The Executive Board

1. *Takes note* of the annual report on evaluation and its addendum (DP/2018/12 and Add.1) and requests UNDP to address the issues raised;

2. *Recalls* decision 2018/1 approving the Independent Evaluation Office (IEO) workplan, and encourages the IEO, building on existing work, together with the Administrator and the heads of the associated entities – the United Nations Capital Development Fund, the United Nations Volunteers programme and the United Nations Office for South-South Cooperation – to ensure that each entity has appropriate monitoring and evaluation frameworks, in line

with UNDP best practice, in particular its fiduciary, transparency and due diligence practices, and to update the Executive Board on this work at the second regular session 2018;

3. *Further recalls* decision 2018/1 and takes note of the importance of joint evaluations with other entities, including joint evaluation of the common chapter of the strategic plans of the funds and programmes, and calls on IEO and UNDP to brief the Executive Board at the second regular session 2018 on planning for this joint evaluation as part of its contribution to broader collaboration on joint evaluations of system-wide activities and to the function of system-wide independent evaluation measures;

4. Recalling decision 2017/12, *notes with concern* the quality of decentralized evaluations and encourages UNDP to work with the IEO to continue its efforts to improve the quality, strategic planning and prioritization of decentralized evaluations, as well as improving the implementation rate and reporting of management responses to the findings;

5. *Calls on* UNDP to continue progress on outstanding recommendations, including with regard to institutional effectiveness, and ensure they take both a risk-informed and result-based approach to implementing those recommendations, as well as to use evaluations as an evidence base for learning and improvement.

8 June 2018

2018/7

Report on results achieved by the United Nations Capital Development Fund in 2017

The Executive Board

1. *Takes note* of the report on cumulative and annual results achieved by UNCDF as captured in the report (DP/2018/13);

2. *Welcomes* the progress made towards implementation of the new UNCDF strategic framework, 2018-2021 (DP/2018/5);

3. *Commends* the efforts of UNCDF to track its contributions to broader ecosystem and market development impacts and to share lessons from these efforts with Member States and through its peer network, to inform the work of others;

4. *Welcomes* the positioning of UNCDF as an innovator and de-risker of local finance solutions in hard-to-reach and excluded areas, and reiterates the importance of innovative finance solutions for the achievement of the Sustainable Development Goals;

5. *Further welcomes* the ongoing efforts of UNCDF to design and test "last mile" financing solutions, including by optimizing its financial toolbox and developing new public and private partnerships;

6. *Notes* the funding scenarios in the new strategic framework and the limitations created due to the shortfall in regular resources, and the impact this has on the number of least developed countries served, the robustness of the UNCDF country presence, its capacity to drive innovation and its capital investment flexibility;

7. *Supports* the funding objectives of UNCDF, including \$25 million per year in regular resources, and in this regard calls on Member States in a position to do so to support more equitable burden-sharing in order to help UNCDF to achieve this goal.

8 June 2018

2018/8**United Nations Volunteers programme: Report of the Administrator***The Executive Board*

1. *Takes note* of the results-oriented biennial report of the Administrator on the United Nations Volunteers programme (UNV) (DP/2018/14);
2. *Expresses appreciation* to all United Nations Volunteers and UN Online Volunteers mobilized by UNV for their outstanding contributions to the 2030 Agenda for Sustainable Development during the 2016-2017 biennium;
3. *Commends* UNV for the results achieved under its Strategic Framework, 2014-2017, including during the 2016-2017 biennium;
4. *Welcomes* the new Strategic Framework, 2018-2021 (DP/2018/6), based on the strategic guidance of General Assembly resolution 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and on the findings and recommendations of the independent evaluation of the previous Strategic Framework, taking note of the finalized results matrix;
5. *Welcomes* the organizational transformation of UNV in 2017-2018 and the decentralization of capacities and delegation of authority from headquarters to the regional and country levels, enabling UNV to be better 'fit for purpose' for its new Strategic Framework;
6. *Recalling* decision 2017/31, paragraph 8, *notes* the importance of regular resources provided by UNDP to deliver on its Strategic Framework;
7. *Reaffirms* the crucial role of the Special Voluntary Fund to the delivery of the UNV Strategic Framework, 2018-2021, calling upon all development partners in a position to do so to contribute to the Fund;
8. *Requests* UNV to report annually to the Executive Board on the delivery of the UNV Strategic Framework.

8 June 2018

2018/9**Draft revised UNFPA integrated budget, 2018-2021***The Executive Board*

1. *Takes note* of the draft revised UNFPA integrated budget, 2018-2021;
2. *Notes with appreciation* the progress made by UNFPA in revising the UNFPA integrated budget, 2018-2021.
3. *Commends* UNFPA for the interactive and transparent engagement with Member States on the integrated budget, and requests UNFPA to continue this engagement on the integrated budget and to inform the Board on the impact of the comprehensive resources review implementation on the budget;
4. *Encourages* UNFPA to align the revised integrated budget, 2018-2021 and to continue to position its organizational structures in the most efficient way to reach the outcomes and outputs as set out in the Strategic Plan, 2018-2021, including the organization's mandated work to provide normative guidance to Member States;
5. *Welcomes* the UNFPA resource mobilization ambition to increase funding by \$100 million over four years for the integrated budget, 2018-2021, *notes with*

appreciation the shift from the institutional to the programme budget, and encourages UNFPA to continue to allocate resources to programming;

6. *Requests* UNFPA to conduct risk-informed income projections and budgeting under the integrated budget, 2018-2021, to be adopted at the second regular session 2018, to safeguard appropriate levels of funding at country offices and programmes in order to ensure the implementation of the Strategic Plan, 2018-2021;

7. *Also requests* further details from UNFPA on its Reserve for Field Accommodation.

8 June 2018

2018/10

Annual report of the UNFPA Executive Director

The Executive Board

1. *Takes note* of the documents that make up the annual report of the Executive Director for 2017: DP/FPA/2018/4 (Part I, Part I/Add.1 and Part II);

2. *Notes with appreciation* the progress made by UNFPA in achieving the results of the UNFPA Strategic Plan, 2014-2017;

3. *Requests* UNFPA to continue to engage with the Secretary-General, other United Nations development system (UNDS) entities and Member States, with a view to support full implementation of General Assembly resolutions 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and 72/279 of 31 May 2018 on the repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system, including its contribution to a smooth transition and business continuity of the resident coordinator system;

4. *Requests* UNFPA, as a UNDS entity, to engage closely with the Secretary-General and Member States to support preparation of a well-thought-out implementation plan for the inception of the reinvigorated resident coordinator system, including on the operationalization of its funding arrangements, to be presented to the General Assembly;

5. *Also requests* UNFPA to present a preliminary analysis of the financial and other implications of resolution 72/279 for UNFPA to the Executive Board at the second regular session 2018;

6. *Further requests* UNFPA, in accordance with resolution 72/279, to provide its contribution to the adequate, predictable and sustainable funding of the resident coordinator system, in line with the forthcoming implementation plan for the inception of the reinvigorated resident coordinator system to be presented to the General Assembly, on an annual basis starting 1 January 2019;

7. *Commends* UNFPA for its work to improve future structured funding dialogues, and in this regard encourages UNFPA to start early the preparations for the dialogues and provide in advance an overview of funding gaps in relation to the implementation of the Strategic Plan, 2018-2021, taking into account both regular and other resources;

8. *Recognizes* the inter-agency efforts being made to advance the common chapter, and requests UNFPA to continue consultations with United Nations funds and programmes on the harmonized format for common chapter reporting;

9. *Welcomes* the mentioning of the common chapter in the annual report, and asks UNFPA to report on the status of the implementation of the common chapter, starting with the annual

report 2019, and to present the findings at the joint meeting of the Executive Boards and at the annual session;

10. *Requests* UNFPA management to brief the Executive Board before the second regular session 2018 on the implementation of the seven recommendations of the evaluation of the architecture supporting the operationalization of the UNFPA Strategic Plan, 2014-2017, and to update the Board on any implications of these recommendations for the comprehensive resource review, the integrated budget, and implementation of the Strategic Plan, 2018-2021;

11. *Takes note* of progress made implementing decision 2017/14, which emphasized the need for UNFPA to continue to improve transparency in the use of resources to achieve programme results and to enhance organizational effectiveness and efficiency, and which also requested UNFPA to present in its future financial planning and reports a higher level of detail on the way regular (core) resources are attributed and used, and requests UNFPA in its future annual reports to continue to improve the visibility and the results achieved with regular (core) resources;

12. *Encourages* UNFPA to make further progress on results-based budgeting approaches;

13. *Recalls* decision 2017/14 and recognizes the inter-agency efforts made to harmonize the report's methodology and format, in particular on the common chapter, and requests UNFPA to continue consultations with United Nations funds and programmes for further alignment of reporting;

14. *Also recalls* decision 2017/14 and urges UNFPA to continue to align its results architecture with the Sustainable Development Goals framework, in coordination with other United Nations funds and programmes, to help measure performance in supporting implementation of the 2030 Agenda for Sustainable Development;

15. *Further recalls* decision 2017/14 and requests UNFPA to include in its future annual reports a more detailed analysis and reflection on the challenges and lessons learned per outcome area and on the collaboration and coordination within the United Nations system;

16. *Expresses concern* about the negative effects of decreased regular resources on achieving the outputs of the Strategic Plan, 2018-2021, and in this regard, urges all Member States in a position to do so to increase their contributions to regular resources, also encourages Member States to make contributions during the first half of the year and to make multi-year pledges in order to ensure effective programming, and requests UNFPA to continue to explore incentives and mechanisms to broaden the donor base and attract new sources of funding;

17. *Welcomes* the UNFPA Executive Director's commitment to implementing resolutions 71/243 and 72/279, and in this regard encourages the secretariat of the UNDP/UNFPA/UNOPS Executive Board to work together with the secretariats of the UNICEF and UN-Women Executive Boards to produce a joint response to the 2018 joint meeting of the Executive Boards segment on working methods by no later than four weeks before the second regular session 2018, allowing for a consultation process among Member States ahead of that session.

8 June 2018

2018/11**UNFPA evaluation***The Executive Board*

1. *Takes note* of the present report on the evaluation function of UNFPA, 2017, and of the programme of work and budget of the Evaluation Office in 2018;
2. *Notes* findings from the independent external review of the evaluation function of UNFPA, which indicate that the UNFPA evaluation function is independent at corporate and decentralized levels, and urges UNFPA management to continue to protect and safeguard the qualities of evaluation independence identified by the external review;
3. *Welcomes* the efforts made by UNFPA and the significant progress achieved in strengthening the evaluation function and the quality of evaluation in actively contributing to United Nations system-wide evaluation efforts, and in fostering efforts for national evaluation capacity development;
4. *Reaffirms* the role played by the evaluation function at UNFPA and underscores the importance of high-quality, independent evaluation evidence in the context of the UNFPA Strategic Plan, 2018-2021, and its contribution to the implementation of the 2030 Agenda for Sustainable Development;
5. *Requests* UNFPA to present a revised evaluation policy to the Executive Board at its first regular session 2019;
6. *Recalls* decision 2018/2 and takes note of the importance of joint evaluations with other entities, including joint evaluation of the common chapter of the strategic plans of the funds and programmes, and calls on the Evaluation Office and UNFPA to brief the Executive Board at the second regular session 2018 on planning for this joint evaluation as part of its contribution to broader collaboration on joint evaluations of system-wide activities and to the function of system-wide independent evaluation measures;
7. *Also recalls* decision 2017/15 and encourages UNFPA management to work with the Evaluation Office to continue its efforts to strengthen the implementation rate and coverage of decentralized evaluations, including exploring strategies to protect budgets for small country offices, and to use the evaluations as learning and knowledge management tools to enhance future programmes;
8. *Strongly encourages* UNFPA, in accordance with Evaluation Policy paragraph 32, to reach the target of allocating 3 per cent of the total UNFPA programme budget to the evaluation function by the end of the period of the Strategic Plan, 2018-2021.

8 June 2018

2018/12**Annual report of the UNOPS Executive Director***The Executive Board*

1. *Recognizes* the contributions of UNOPS to the operational results of Governments, the United Nations and other partners in 2017, through efficient management support services and effective specialized technical expertise, expanding the implementation capacity for sustainable development;
2. *Takes note* of the successful implementation of the UNOPS Strategic Plan, 2014-2017, and the solid implementation platform established on which to initiate the UNOPS Strategic Plan, 2018-2021, to support Member States in achieving the 2030 Agenda for Sustainable Development;

3. *Takes note* of the recommendations of the Joint Inspection Unit (DP/2018/2, Annex 4) and the progress made in implementing recommendations relevant to UNOPS;

4. *Requests* UNOPS to continue to engage with the Secretary-General, other United Nations development system (UNDS) entities and Member States with a view to support full implementation of General Assembly resolutions 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and 72/279 of 31 May 2018 on the repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system, including its contribution to a smooth transition and business continuity of the resident coordinator system;

5. *Also requests* UNOPS to present a preliminary analysis of the financial and other implications of resolution 72/279 for UNOPS to the Executive Board at the second regular session 2018;

6. *Further requests* UNOPS, in accordance with resolution 72/279, to provide its contribution to the adequate, predictable and sustainable funding of the resident coordinator system, in line with the forthcoming implementation plan for the inception of the reinvigorated resident coordinator system to be presented to the General Assembly, on an annual basis starting 1 January 2019;

7. *Welcomes* the Executive Director's commitment to implementing General Assembly resolutions 71/243 and 72/279 and in this regard encourages the secretariat of the UNDP/UNFPA/UNOPS Executive Board to work together with the secretariats of the UNICEF and UN-Women Executive Boards to produce a joint response to the 2018 joint meeting of the Executive Boards segment on working methods by no later than four weeks before the second regular session 2018, allowing for a consultation process among Member States ahead of that session.

8 June 2018

2018/13

Reports of UNDP, UNFPA and UNOPS on internal audit and investigations and management responses

The Executive Board

1. *Welcomes* the progress of UNDP, UNFPA and UNOPS in addressing audit-related management issues in 2017;

2. *Notes with appreciation* efforts to implement outstanding audit recommendations from previous reports, and in particular underscores the importance of progressing with implementing recurring high-priority recommendations;

3. *Recalls* decision 2017/17, in which the Board expressed concern about recurring weaknesses for both UNDP and UNFPA related to programme management, procurement, governance and financial management, notes that similar challenges have been identified in the 2017 reports, and underscores the urgent need to intensify efforts to address these issues;

4. *Also recalls* decision 2015/13 and the request by the Board for the offices of audit and investigation to provide a view on whether the resourcing of their function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage;

With regard to UNDP:

5. *Takes note* of the report on internal audit and investigations (document DP/2018/15);

6. *Expresses* continuing support for strengthening the internal audit and investigation functions of UNDP;

7. *Expresses* continuing support for strengthening the internal audit and investigation functions of UNDP, takes note of the annual report of the Audit and Evaluation Advisory Committee, commends UNDP for raising its overall audit opinion to satisfactory, and asks the Office of Audit and Investigation to provide further supporting analysis for such opinions in future annual reports, including the impact of their own risk assessments as well as an analysis of how complaints are reported to the Office of Audit and Investigation;

8. *Requests* UNDP to provide better comparative year-on-year information showing where losses incurred in one year are recovered in a subsequent year, and provide the Board with details, broken down by calendar year, of losses over prior years and cumulative recoveries to date against each year's losses by the second regular session 2018;

9. *Requests* UNDP to provide the Executive Board with an update on the implementation of a comprehensive anti-fraud strategy, including how this will be appropriately resourced from within UNDP, at the first regular session 2019;

10. *Recalls* decision 2017/17 and while welcoming the organization's work on anti-fraud systems and processes and efforts to identify obstacles that are hindering recovery, notes with concern the low levels of defrauded funds recovered in 2017, and urges UNDP to do all it can to ensure the timely recovery of defrauded funds;

11. *Encourages* the Office of Audit and Investigation, building on the existing work and in collaboration with the Administrator and the heads of the associated entities – the United Nations Capital Development Fund, the United Nations Volunteers programme and the United Nations Office for South-South Cooperation – to ensure that each entity has appropriate oversight, monitoring and risk-management frameworks, in line with UNDP best practice, in particular its fiduciary, transparency and due diligence practices, and to update the Executive Board on this work at the second regular session 2018;

12. *Also requests* UNDP to focus efforts on improving investigation timelines, including related resourcing, noting the increasing number of cases due for investigation carried over from year to year;

13. *Takes note* of the annual report of the Audit and Evaluation Advisory Committee;

With regard to UNFPA:

14. *Takes note* of the report on internal audit and investigation activities of the UNFPA Office of Audit and Investigation Services (DP/FPA/2017/6), the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and internal control processes, of 'some improvement needed' (DP/FPA/2017/6/Add.1), the annual report of the Audit Advisory Committee (DP/FPA/2017/6/Add.2), and the management response (DP/FPA/2017/CRP.4) thereto and to the present report;

15. *Expresses its continuing support* for the audit and investigation functions at UNFPA, and urges UNFPA to ensure the Office of Audit and Investigation Services is appropriately and sufficiently resourced to deliver its mandates, including ensuring adequate audit coverage and to efficiently handle its caseload of investigations;

16. *Acknowledges and supports* the engagement of the Office of Audit and Investigation Services in joint audit and investigation activities, and encourages continued support to UNFPA management and relevant inter-agency fora in their efforts to address sexual exploitation and sexual harassment;

17. *Welcomes* progress made in implementing audit recommendations, and urges UNFPA to continue to reduce the number of outstanding audit recommendations and expedite

progress in the areas the opinion identified as requiring improvement, including the integrated control framework, enterprise risk management, organizational structure and staffing, headquarters and regional office support and oversight, programme management, including supply-chain management, implementing partner capacity and financial monitoring, and operations management;

18. *Notes with concern* the apparently limited and slow pace of recovery of losses, and asks UNFPA to complement information provided on cases with further details, broken down by calendar year, of aggregate losses over prior years and cumulative recoveries to date against each year's losses;

19. *Urges* UNFPA to ensure timely follow-up by the relevant disciplinary bodies, including the Vendor Review Committee, to investigation reports issued by Office of Audit and Investigation Services;

20. *Requests* UNFPA to focus efforts on improving investigation timelines, including related resourcing, noting the increasing number of cases due for investigation carried over from year to year.

With regard to UNOPS:

21. *Takes note* of the annual report of the Internal Audit and Investigations Group for 2017 and the management response thereto;

22. *Also takes note* of the progress made in implementation of audit recommendations;

23. *Further takes note* of the overall audit opinion noting 'major improvements needed', based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13);

24. *Urges* management to continue to address observations and recommendations made by the internal auditor in order to reduce UNOPS risk exposure and improve the overall audit opinion in future years;

25. *Takes note* of the annual report of the Audit Advisory Committee for 2017 (in line with Executive Board decision 2008/37).

8 June 2018

2018/14

Reports of the ethics offices of UNDP, UNFPA and UNOPS

The Executive Board

1. *Welcomes* the reports of the ethics offices of UNDP, UNFPA and UNOPS (DP/2018/16, DP/FPA/2018/7 and DP/OPS/2018/4);

2. *Notes with appreciation* the progress made by the ethics office of UNDP, UNFPA and UNOPS in strengthening the ethical culture in the three organizations, including training, raising ethics awareness and protection against retaliation, and supports the recommendations made to management;

3. *Requests* the management of UNDP, UNFPA and UNOPS, in collaboration with their ethics offices as well as the heads of the United Nations Capital Development Fund, the United Nations Volunteers programme and the United Nations Office for South-South Cooperation, to ensure that programmes to strengthen ethical culture, including training, raising ethics awareness and protection against retaliation, and combat sexual harassment, are provided, and to provide an update of this work to the Board by its second regular session 2018;

4. *Notes* the importance of well supported and resourced ethics offices, and encourages the management of UNDP, UNFPA and UNOPS to consider further increases in staffing support, reflecting the increased needs of the organizations;

5. *Supports* the 'zero tolerance' of the heads of UNDP, UNFPA and UNOPS towards sexual harassment, and appreciates the actions UNDP, UNFPA and UNOPS have taken so far to prevent and manage sexual harassment, to implement further institutional and cultural changes, and to ensure a joined-up, system-wide, coherent approach;

6. *Requests* UNDP, UNFPA and UNOPS management, as required under the Secretary General's report on special measures for protection from sexual exploitation and abuse, to present their respective annual certification to the Executive Board at each annual session, to cover sexual exploitation and abuse, and sexual harassment, as appropriate, complementing and strengthening their existing reporting, and to provide updates on progress made in that regard, including working with the United Nations Office of the Victims' Rights Advocate; and further urges UNDP, UNFPA and UNOPS to consider how to align reporting formats and content with other agencies, where appropriate;

7. *Encourages* UNDP, UNFPA and UNOPS management to undertake, using existing resources under the integrated budget 2018-2021, an independent victim-centred review of their respective policies and processes on tackling both sexual exploitation and abuse and sexual harassment, to review the current practices of the three organizations and provide recommendations on both issues, and requests UNDP, UNFPA and UNOPS to present the review and associated management responses to the Executive Board at its annual session 2019;

8. *Requests* the UNDP Ethics Office to report on the implementation of the new policy on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations in its 2019 report.

8 June 2018

2018/15

Overview of decisions adopted by the Executive Board at its annual session 2018

The Executive Board

Recalls that during its annual session 2018, it:

Item 1

Organizational matters

Adopted the agenda and approved the workplan for its annual session 2018 (DP/2018/L.2);

Approved the report of the first regular session 2018 (DP/2018/8);

Approved the tentative workplan for the second regular session 2018;

UNDP segment

Item 2

Annual report of the Administrator

Adopted decision 2018/5 on the report of the UNDP Administrator on results for 2017 and progress on the Strategic Plan, 2018-2021.

Item 3**South-South cooperation**

Took note of the strategic framework of the United Nations Office for South-South Cooperation, 2018-2021 (DP/CF/SSC/6).

Item 4**Human Development Report**

Took note of the update on the Human Development Report consultations.

Item 5**UNDP country programmes and related matters**

Approved the following country programmes in accordance with decision 2014/7: Kenya (DP/DCP/KEN/3), Malawi (DP/DCP/MWI/3) and Rwanda (DP/DCP/RWA/2);

Took note of the first one-year extensions of the country programmes for Kuwait, Republic of the Congo and Sierra Leone, already approved by the Administrator (DP/2018/11);

Approved the second one-year extension of the country programme for the Syrian Arab Republic (DP/2018/11).

Item 6**Evaluation**

Adopted decision 2018/6 on UNDP evaluation.

Item 7**United Nations Capital Development Fund**

Adopted decision 2018/7 on the report on results achieved by the United Nations Capital Development Fund in 2017.

Item 8**United Nations Volunteers**

Adopted decision 2018/8 on the United Nations Volunteers programme: report of the Administrator.

UNFPA segment**Item 9****Consultation on the revised integrated budget, 2018-2021, including change management**

Adopted decision 2018/9 on the draft revised UNFPA integrated budget, 2018-2021.

Item 10**Annual report of the UNFPA Executive Director**

Adopted decision 2018/10 on the annual report of the UNFPA Executive Director.

Item 11

UNFPA country programmes and related matters

Approved the following country programmes in accordance with decision 2014/7: Kenya (DP/FPA/CPD/KEN/9) and Rwanda (DP/FPA/CPD/RWA/8);

Took note of the first one-year extension of the country programme for Cuba, already approved by the Executive Director; and

Approved the second one-year extension of the country programme for the Syrian Arab Republic (DP/FPA/2018/3).

Item 12

UNFPA evaluation

Adopted decision 2018/11 on UNFPA evaluation.

UNOPS segment

Item 13

United Nations Office for Project Services

Adopted decision 2018/12 on the annual report of the UNOPS Executive Director.

Joint segment

Item 15

Internal audit and oversight

Adopted decision 2018/13 on the reports of UNDP, UNFPA and UNOPS on internal audit and investigations and management responses.

Item 16

Reports of the ethics offices of UNDP, UNFPA and UNOPS

Adopted decision 2018/14 on the reports of the ethics offices of UNDP, UNFPA and UNOPS.

Item 17

Other matters

Also held the following briefings, informal consultations and special events:

UNDP

UNCDF briefing on findings and lessons learned from recent evaluations;

UNFPA

Tribute to the late Dr. Babatunde Osotimehin, Executive Director of UNFPA;

Briefing on population dynamics and sustainable development in Eastern Europe and Central Asia.

8 June 2018

**TENTATIVE WORKPLAN
EXECUTIVE BOARD OF UNDP, UNFPA and UNOPS
SECOND REGULAR SESSION 2018
(4 – 7 September 2018, New York)**

<i>Day/date</i>	<i>Time</i>	<i>Item</i>	<i>Subject</i>
Tuesday, 4 September	10 a.m. – 1 p.m.	1	ORGANIZATIONAL MATTERS - Adoption of the agenda and workplan for the session - Adoption of the report of the annual session 2018 UNFPA segment STATEMENT BY THE EXECUTIVE DIRECTOR
	3 – 5:45 p.m.	7	STATEMENT BY THE EXECUTIVE DIRECTOR (cont'd) UNFPA INTEGRATED BUDGET, 2018-2021 (D) Revision of the UNFPA integrated budget, 2018-2021
	5:45 – 6 p.m.		<i>Informal consultations on draft decisions</i>
Wednesday, 5 September	10 a.m. – 1 p.m.	6	UNFPA segment (cont'd) STRUCTURED FUNDING DIALOGUE (D) Report on contributions by Member States and others to UNFPA and revenue projections for 2018 and future years
		2	UNDP segment STRUCTURED FUNDING DIALOGUE (D) - Annual review of the financial situation, 2017 - Status of regular funding commitments to UNDP and its funds and programmes for 2018 and onwards
	3 – 4:30 p.m.	9	UNOPS segment STATEMENT BY THE EXECUTIVE DIRECTOR - Annual statistical report on the procurement activities of United Nations system organizations, 2017 (D) - UNOPS response to the Joint Inspection Unit review of management and administration in the United Nations Office for Project Service
	4:30 – 5:45 p.m.	8	UNFPA segment (cont'd) UNFPA COUNTRY PROGRAMMES AND RELATED MATTERS - Presentation and approval of country programme documents - Extensions of country programmes
	5:45 – 6 p.m.		<i>Informal consultations on draft decisions</i>
Thursday, 6 September	10 a.m. – 1 p.m.		UNDP segment (cont'd) STATEMENT BY THE ADMINISTRATOR
	3 – 5:45 p.m.	3	STATEMENT BY THE ADMINISTRATOR (cont'd) GENDER EQUALITY AT UNDP (D) UNDP gender equality strategy, 2018-2021

Friday, 7 September	5.45 – 6 p.m.		<i>Informal consultations on draft decisions</i>
	10 a.m. – 1 p.m.	4	UNDP COUNTRY PROGRAMMES AND RELATED MATTERS • Presentation and approval of country programme documents • Extensions of country programmes
		5	EVALUATION (D) • Evaluation of the UNDP inter-agency pooled financing and operational services and management response • Evaluation capacity development • Synthesis and methods of independent country programme evaluations
			Joint segment
		10	FOLLOW-UP TO UNAIDS PROGRAMME COORDINATING BOARD MEETING • Joint UNDP/UNFPA report on follow-up to recommendations of the Programme Coordinating Board of UNAIDS
	1 – 6 p.m.	11	FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS • Joint report on cost recovery (D) • Report of UNDP, UNFPA and UNOPS on joint procurement activities
		12	WORKING METHODS OF THE BOARD (D)
		13	FIELD VISITS • Report on the joint field visit to Uganda • Report on the Executive Board field visit to Haiti
		14	OTHER MATTERS • Address by the Chairperson of the UNDP/UNFPA/UNOPS/ UN-Women Staff Council • Adoption of pending decisions
		1	ORGANIZATIONAL MATTERS • Draft annual workplan of the Executive Board for 2019 • Adoption of the tentative workplans for the first regular session 2019